

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
OPEN SESSION

ROBERT F. CARLSON AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, AUGUST 16, 2017

9:00 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. 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

Mr. Scott Terando, Chief Actuary

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

STAFF:

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. Scott Dowell, City of Chico

Ms. Kerry Eden, City of Corona

Mr. Dane Hutchings, League of California Cities

Mr. Russ Leonard, Corona General Employees Association

Mr. Shane McCloud, Money Out Voters In

Mr. Jason Perez, Corona Police Officers Association

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

Mr. Bryan Snow, Corona Police Officers Association

Ms. Karen Spiegel, City of Corona

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

2 VICE PRESIDENT JONES: I'd like to call the Board
3 of Administration meeting to order. And the first order
4 of business is roll call, please.

5 BOARD SECRETARY BUCHANAN: Good morning.

6 Rob Feckner?

7 VICE PRESIDENT JONES: Excused.

8 BOARD SECRETARY BUCHANAN: Henry Jones?

9 VICE PRESIDENT JONES: Here.

10 BOARD SECRETARY BUCHANAN: Michael Bilbrey?

11 BOARD MEMBER BILBREY: Good morning.

12 BOARD SECRETARY BUCHANAN: Jeree Glasser-Hedrick
13 for John Chiang?

14 ACTING BOARD MEMBER GLASSER-HEDRICK: Good
15 morning.

16 BOARD SECRETARY BUCHANAN: Richard Costigan?

17 BOARD MEMBER COSTIGAN: Here.

18 BOARD SECRETARY BUCHANAN: Richard Gillihan?

19 BOARD MEMBER GILLIHAN: Here.

20 BOARD SECRETARY BUCHANAN: Dana Hollinger?

21 BOARD MEMBER HOLLINGER: Here.

22 BOARD SECRETARY BUCHANAN: J.J. Jelincic?

23 BOARD MEMBER JELINCIC: Here.

24 BOARD SECRETARY BUCHANAN: Ron Lind?

25 BOARD MEMBER LIND: Here.

1 BOARD SECRETARY BUCHANAN: Priya Mathur?

2 BOARD MEMBER MATHUR: Good morning.

3 BOARD SECRETARY BUCHANAN: Good morning.

4 Bill Slaton?

5 BOARD MEMBER SLATON: Here.

6 BOARD SECRETARY BUCHANAN: Theresa Taylor?

7 BOARD MEMBER TAYLOR: Here.

8 BOARD SECRETARY BUCHANAN: And Lynn Paquin for
9 Betty Yee?

10 ACTING BOARD MEMBER PAQUIN: Here.

11 VICE PRESIDENT JONES: Okay. Thank you.

12 The next item on the agenda Pledge of Allegiance.

13 And I've asked Mr. Costigan to lead us in the Pledge.

14 BOARD MEMBER COSTIGAN: Hand over your heart.

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

17 VICE PRESIDENT JONES: Thank you.

18 The next item on the agenda is the Board
19 President's report.

20 So good morning. And I'll like to provide a few
21 remarks on behalf of our Board President. First, I want
22 to thank everyone for their participation at our summer
23 off-site last month, and for the excellent presentations
24 for our team members and guest speakers. We had a very
25 open and candid discussion about the issues we face, and

1 how we can strengthen the fund that millions of our
2 members and their families rely on for their retirement
3 and health security. If you had an opportunity to join
4 us, I think you will agree it was time well spent.

5 For future meetings, I want to announce the dates
6 of our January off-site. It is scheduled for January 16th
7 through 18th. And this time we will be at the Sheraton
8 Sonoma County hotel in Petaluma.

9 Next, I want to say thanks to you, to our Board
10 members and team leaders for scooping and serving ice
11 cream yesterday at the annual ice cream social here at our
12 Headquarters. Our contact center will have their social
13 ice cream event next week.

14 The ice cream social is a tradition here at
15 CalPERS, an opportunity to celebrate the hard earned
16 accomplishments of all of our team members, and thank them
17 for all they do to serve our members and their employers.
18 The entire CalPERS team is our greatest asset, and I
19 appreciate everyone's support and appreciation.

20 As we approach the end of August, I want to
21 remind you about our upcoming Board elections. They
22 officially start on September the 1st when ballots are
23 mailed to our eligible voting members. This year, the
24 voting process is easier than ever because you can vote by
25 paper, by ballot, by on-line, by phone.

1 This Board makes decisions that directly affect
2 your benefits, so it is important that you make your voice
3 heard. We encourage all of our members to closely
4 consider the candidates and exercise your right to vote.
5 A candidate forum will be held on September the 7th at
6 11:30 a.m. here in this auditorium. You can attend the
7 forum in person or watch it live on our webcast, or
8 website. It will also be recorded for future viewing.

9 In addition, videos of our candidates will be
10 available on our website later this month. Be sure to
11 watch your mail in early September and cast your vote by
12 October the 2nd.

13 And finally, I'm pleased to announce we're
14 starting a new tradition, CalPERS night with the Republic
15 FC. This is our first group outing to support our local
16 Major League Soccer team, the Republic FC. CalPERS night
17 is on Wednesday, August 23rd at Papa Murphy's Park, when
18 the Republic will face off against the -- against on the
19 Swope Park Rangers of Kansas City. Doors open at 6:30
20 p.m. and kick-off is at 8:00 o'clock. Our CalPERS Patriot
21 Chorus will be singing the National Anthem. And many of
22 our CalPERS team members will be there for what is sure to
23 be an exciting night of soccer.

24 So with that, that concludes the President's
25 report, so now we'll go to item --

1 BOARD MEMBER JELINCIC: I have a point of
2 personal privilege.

3 VICE PRESIDENT JONES: Okay. Mr. Jelincic, just
4 a minute.

5 Mr. Jelincic.

6 BOARD MEMBER JELINCIC: I have another point of
7 personal privilege. I still have not found the McCarthy
8 Cohn list of Commies in the State Department. I still
9 have not found any Bill Slaton developed charges upon
10 which he based his demand for my resignation.

11 I do, however, have a request. If you have back
12 copies of the CalPERS Comprehensive Annual Financial
13 Report, the CAFR, I would ask that you please delete the
14 following pages: Page 69 and 70 of the 2016 CAFR; pages
15 74 and 79 of the 2015 CAFR; pages 71 and 72 of the 2014
16 CAFR; and pages 77 of the 2013 CAFR.

17 The reason for this request is that they discuss
18 the pending Sanchez long-term care case. Such discussions
19 are improper and could get someone punished, as I know
20 from personal experience. Mr. Jacobs, the real moving
21 party in my discipline, complained that some unidentified
22 Board member made some unspecified comments about the case
23 to a retiree group. The proof of my violation was that
24 neither Bill Slaton, the nominal moving party, Rob
25 Feckner, the sole judge in the case, nor myself denied

1 that it happened.

2 It is not lost on me that management, including
3 the legal staff, prepared these disclosures, and that Mr.
4 Slaton and Mr. Feckner supported the release of the CAFRs.
5 Very Joseph McCarthian and Roy Cohn-like.

6 I would encourage the Board again to release the
7 charges against me. The demand for my resignation was
8 public and I should be afforded a public opportunity to
9 publicly defend myself. It's called transparency.

10 Thank you.

11 VICE PRESIDENT JONES: The next item on the
12 agenda is the Executive Report. Ms. Marcie Frost for the
13 Chief Executive Report.

14 CHIEF EXECUTIVE OFFICER FROST: Good morning, Mr.
15 President and members of the Board. This morning, I'm
16 going to follow up on some discussions that we had at the
17 Board off-site last month, and I'll also give you some
18 updates about the reports we issue at the end of the
19 fiscal year, and then bring you up to speed on our busy
20 calendar of events, as we go through the fall and winter.

21 But first, I do want to say thank you for
22 yesterday, for your support in sponsoring and
23 participating in the ice cream social. We believe we had
24 about 1,900 team members come through those lines. It was
25 a very busy afternoon, but I think it was an opportunity

1 for people to get together, and for you as Board members
2 to interact with some of the team who work very hard here
3 at CalPERS.

4 So we had a great turnout, and the weather
5 cooperated, which was great, in comparison to last year.
6 I think it was in the triple digits. So yesterday was a
7 nice day for us all to get the together.

8 As you know, we're about to begin the homestretch
9 of the asset liability management, or the ALM, work as we
10 call it. Over the next few months, we'll be bringing more
11 information before the Board about the work we're doing,
12 all aimed at Board activities in November and December,
13 and possible February to decide the asset allocation mix.

14 That includes a very important workshop that will
15 happen in November, during which our investment and our
16 actuarial teams will present you with some candidate
17 portfolios. We'll be asking you to consider some various
18 levels of risk, where your risk appetite might be, and
19 you'll also hear from our Chief Actuary on the results
20 from the recent experience study.

21 And this will again culminate in your
22 consideration for the next asset allocation mix again.
23 And that decision would be teed up in either December or
24 February.

25 Because this process is so important, and your

1 actions carry such weight, we also anticipate that some of
2 our participating employers may come before you over the
3 next few months to discuss the impact that any decision
4 may have on them. It's very important that you also hear
5 from the employer partners, and we look forward to gaining
6 a better understanding of their views. It will be a very
7 busy and important few months ahead of us.

8 Moving on to another subject of importance is the
9 annual health open enrollment, which starts on September
10 11th and will last through October 6th. This is an
11 important time for about 1.4 million people who are
12 covered by our health plans. So I want to encourage
13 everyone to study the health plan statements they'll
14 receive in the mail or through their my|CalPERS accounts.

15 Health plan statements provide details about
16 which health plan is currently -- the member is currently
17 enrolled in who is covered under their plan, and also the
18 rate for the current and following calendar year.

19 I think it's important that our members use the
20 on-line services and carefully read through this year's
21 open enrollment material to learn about plan updates, and
22 rates to consider all the factors they need to make the
23 best informed decision for them and their families.

24 And again, these changes, if any changes were
25 made by the participants, would take place on January 1st,

1 2018 -- or, excuse me, would become effective.

2 Turning now to investments, I wanted to highlight
3 a bit of the discussion that we had on Monday in
4 Investment Committee regarding our proxy season. As you
5 know, we continue working toward our global governance
6 goals by seeing resolutions passed on proxy access and
7 climate risk reporting, while at the same time casting
8 more than 7,000 votes. Those are important first steps
9 toward ensuring the long-term success of the plan.

10 As we begin discussion about next year's proxy
11 season, we'll be taking a look at the strategies we
12 employed this past year to evaluate their effectiveness
13 and consider other strategies to elevate our voice as we
14 continue to promote policy changes that again benefit the
15 companies, the shareowners, and our members.

16 Now, that the fiscal year has ended, there are
17 several reports I'd like to mention that are critical to
18 the work. The first is the development of the annual
19 valuation reports for our public agency, State, and school
20 employers. The actuarial team has completed over 3,900
21 valuations for public agencies. They are now available
22 through the employer's my|CalPERS accounts, and will be
23 posted on our website at the end of August. The valuation
24 reports for school employers and the State would be
25 available in early September.

1 The evaluations are especially important this
2 year, because of the recent change to the discount rate.
3 And those numbers, the employers have been anticipating
4 those for a few months now.

5 So this does represent a large body of work from
6 our actuarial team, so I'd like to thank them for that
7 hard work in completing them so quickly and thoroughly, as
8 well as being as accessible as they have been in helping
9 our employers understand their valuation. It's very
10 important to get the employers this information as quickly
11 as possible.

12 Another important report our Financial Office
13 starts working on at this time Of the year is the
14 Comprehensive Annual Financial Report, also known as the
15 CAFR. The CAFR provides a detailed look at the financial
16 health of the system as of the end of the fiscal year June
17 30th of 2017.

18 Central to the report are the basic financial
19 statements, which we'll bring to you along with the
20 independent auditor's report in November. November is
21 scheduled to be a pretty busy month. Following that, in
22 December, we do expect to release the full CAFR.

23 On to some internal items. The strategic plan, I
24 want to thank the Enterprise Strategy and Performance
25 Division for all the work that they've done, not only on

1 the current five-year plan that went into effect on July
2 1, but also the five year plan that was completed as of
3 the end of June.

4 There are also a series of events coming up in
5 the next few months that I'd like to mention. First off,
6 is the kick-off event for the statewide Our Promise
7 Campaign, which I will be the co-chair for this year. And
8 Our Promise is the statewide charitable giving campaign
9 that allows State employees to make donations to
10 sanctioned or approved nonprofit organizations through the
11 payroll deduction process. The kick-off event will be on
12 August 30th at the Capitol. And visitors to the event
13 will be able to talk with many of the participating
14 charities, nonprofits, and hear from elected officials,
15 and -- excuse me -- enjoy some entertainment in
16 celebration of the campaign's 60th anniversary.

17 That will be followed by two CalPERS Benefit
18 Education Events coming up in August and September for
19 those members who want to learn more about their benefits,
20 work, or could use some guidance in planning for their own
21 retirement. Again, these events are free. They're very
22 well attended, well attended also by many of our Board
23 members, and have proven to be very helpful to thousands
24 of our members.

25 The next event will take place over the next two

1 days at the Hilton Pasadena on 18th and 19th. Currently,
2 we have -- excuse me. Let me move on.

3 And then the final Benefit Education Event for
4 2017 will take place in September at the Hyatt Regency in
5 Orange County. And that will be on September 15th and
6 16th.

7 And then the 18th annual Education Forum is on
8 October 23rd through the 25th in Rancho Mirage. This is
9 our annual event that brings our employer partners
10 together with our team and some Board members in one place
11 to discuss our shared purpose, which is to provide
12 retirement and health security to the members we serve.

13 We work hard to make sure that we have a dynamic
14 program for those in attendance, whether they're
15 employees, on the front lines, doing customer service and
16 operations, or managers and executives looking to sustain
17 their agency's retirement and health plans for the long
18 term.

19 Currently, we about 600 confirmed registrations
20 already. Last year's forum set a record attendance at 800
21 attendees, and we think we're on track to top that number.

22 Two weeks from now, we will have our annual
23 all-team gathering. We have changed the name to CalPERS
24 Live. And looking forward to bringing the entire team
25 together to talk about our accomplishments, and also

1 highlight our priorities as we move forward into the next
2 year.

3 And then finally, we announced a new partnership
4 with the Sacramento Municipal Utilities District last week
5 to power 50 percent of our electricity through SMUD's
6 large commercial solar share program. And I'm proud to
7 say that we're the first State agency to go solar through
8 the program, and more importantly, looking forward to the
9 money that we'll be saving for the system over the next 20
10 years. And right now, that figure is around \$3.7 million.

11 Not only does the solar partnership make
12 financial sense, it's consistent with our ongoing
13 sustainability practices that have so far exceeded the
14 State standards. It also fits perfectly with our Belief
15 to be good stewards of California's environment, as well
16 as our natural resources

17 With that, that would complete my report for
18 today, Mr. President, and I'm happy to take any questions.

19 VICE PRESIDENT JONES: Okay. Seeing no further
20 questions. Thank you very much.

21 Next item on the Agenda is 4b, Chief Investment
22 Officer's Report. For that, I call on the CIO, Mr.
23 Eliopoulos.

24 CHIEF INVESTMENT OFFICER ELIOPOULOS: Good
25 morning, Mr. Vice President and members of the Board. I

1 have a brief update on the performance of the Public
2 Employees' Retirement Fund as of June 30th, 2017.

3 The total fund performance for the fiscal year
4 2016-17 is 11.2 percent. As you know, we prefer to
5 examine returns over longer periods of time, as they're
6 much more meaningful. The three-year return is 4.6
7 percent, the five-year return is 8.8 percent, the 10-year
8 return is 4.4 percent, reflecting the results of the
9 financial crisis, and the 20-year return of the total fund
10 is 6.6 percent.

11 All asset class allocations are within their
12 policy ranges. The total fund assets are valued as of
13 that June 30th, 2017 date at \$323.5 billion.

14 Mr. Vice President, that is my report.

15 VICE PRESIDENT JONES: Okay. Thank you very
16 much, Mr. Eliopoulos.

17 We move on to Item 5, consent items. Consent
18 action items. We need a motion to --

19 BOARD MEMBER JELINCIC: I'll move it.

20 VICE PRESIDENT JONES: It's been moved by Mr.
21 Jelincic.

22 BOARD MEMBER TAYLOR: Second.

23 VICE PRESIDENT JONES: Second by Ms. Taylor.

24 Any further discussion?

25 Seeing none.

1 All those in favor, aye?

2 (Ayes.)

3 VICE PRESIDENT JONES: Opposed?

4 Hearing none. The item passes.

5 We now will move on to the additional consent
6 information items. And I have not received a request to
7 move anything off of the information consent, so we'll
8 move on to Item 7, Committee Reports and Actions.

9 So for the Investment Committee, I call on the
10 Vice Chair, Mr. Bill Slaton.

11 BOARD MEMBER SLATON: Okay. Thank you, Mr. Vice
12 President.

13 The Investment Committee did meet on August 14th
14 2017. The Committee received reports on the following
15 topics:

16 The CalPERS trust level review and consultant
17 report; the trust level portfolio management annual
18 program review; the corporate governance update; and the
19 review of survey results on Board investment consultants.

20 The Chair directed staff to do the following:

21 During the next investment policy annual review
22 include a summary of the guidelines and risk ranges used
23 in private equity and real assets; provide the math
24 supporting the 6.5 arithmetic average return used on slide
25 21 of the trust level review which was Agenda Item 5a;

1 Meketa was directed to provide an analysis of the
2 performance difference between private equity funds and
3 customized investment accounts; the staff was directed to
4 include other dimensions of diversity, including ethnic
5 diversity as part of the Corporate Board Diversity
6 Engagement Strategy; and also to bring back a document on
7 our top 50 holdings including who serves on each board
8 with a cross-reference to determine directors with
9 multiple board seats.

10 The Committee heard public comment on the
11 importance of focus on earning returns versus other
12 topics.

13 And at this time, I'd like to share some
14 highlights of what to expect at the September Investment
15 Committee meeting. Reviews of the global equity and
16 global fixed income programs and policies; the CalPERS
17 consultant public fund universe comparison reports; the
18 strategic asset allocation use of leverage presentation;
19 and the federal investment policy representative update
20 presentation.

21 The next meeting of the Investment Committee is
22 scheduled for September 18th, 2017 in Sacramento,
23 California.

24 And that completes my report.

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

1 Slaton.

2 The next item Pension and Health Benefits
3 Committee. For that, I call on the Chair Mrs. Mathur

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

5 The Pension and Health Benefits Committee met
6 yesterday on August 15th, 2017. The Committee recommends
7 and I move the Board approve on Agenda Item 5, the final
8 proposed regulations defining pensionable compensation
9 under the Public Employees' Pension Reform Act of 2013.
10 With Board approval, staff will submit the final
11 rulemaking package to the Office of Administrative Law for
12 adoption.

13 VICE PRESIDENT JONES: Okay. On motion by
14 Committee. Any discussion?

15 Mr. Jelincic.

16 BOARD MEMBER JELINCIC: I will still take -- I
17 will still take my guidance from the Gospel of Luke rather
18 than the Governor's office and I will be voting no.

19 VICE PRESIDENT JONES: Okay. Thank you for your
20 comments.

21 So all those in favor say aye?

22 (Ayes.)

23 VICE PRESIDENT JONES: Opposed?

24 Hearing none.

25 BOARD MEMBER JELINCIC: Opposed.

1 VICE PRESIDENT JONES: Opposed

2 (No.)

3 VICE PRESIDENT JONES: Record Mr. Jelincic as a
4 no.

5 Thank you. The item passes.

6 Ms. Mathur.

7 BOARD MEMBER MATHUR: The Committee further
8 recommends and I move the Board approve on Agenda Item 6,
9 the staff's recommendation to pursue amendments to the
10 California Code of Regulations section 586.1 defining
11 normal retirement age as seen in attachment 2.

12 VICE PRESIDENT JONES: Okay. On motion by
13 Committee.

14 Any discussion?

15 Seeing none.

16 All those in favor say aye?

17 (Ayes.)

18 VICE PRESIDENT JONES: Opposed?

19 Hearing none. The item passes.

20 Moving on --

21 BOARD MEMBER MATHUR: No, I'm sorry. I still
22 have more.

23 VICE PRESIDENT JONES: That's what I'm saying,
24 moving on to Ms. Mathur.

25 BOARD MEMBER MATHUR: Oh, thank you.

1 (Laughter.)

2 BOARD MEMBER MATHUR: The Committee also received
3 presentations yesterday regarding the pricing tool
4 Castlight available with CalPERS Preferred Provider
5 Organization plans, and the history and experience of risk
6 adjusting CalPERS health plan rates.

7 The Committee received public comment from Larry
8 Woodson, California State Retirees, regarding the
9 elimination of mailing paper copies of retirees' direct
10 deposit slips, and that was directed to be corrected.

11 The Chair directed staff to include a statement
12 to the June 20th, 2017 PHBC meeting minutes under Agenda
13 Item 12 that administering a spousal surcharge for
14 contracting agencies is not permissible under the Public
15 Employees' Medical and Hospital Care Act; and to present a
16 demonstration of the Castlight tool at a future PHBC
17 meeting.

18 Some highlights from the September meeting is we
19 will receive information from our federal health care and
20 retirement policy representatives, and also a presentation
21 on high-value low-value care.

22 The next meeting of the PHBC is scheduled for
23 September 19th, 2017 in Sacramento, California.

24 That concludes my report.

25 VICE PRESIDENT JONES: Thank you, Mrs. Mathur.

1 Moving on to Item 7c, the Finance and
2 Administration Committee. There was no meeting.

3 And also Item 7d, Performance, Compensation and
4 Talent Management Committee, there was no meeting. Item
5 e, Risk and Audit Committee there was no meeting, and
6 therefore no reports.

7 So we move on to 7f, Board Governance Committee,
8 Ms. Taylor.

9 BOARD MEMBER TAYLOR: Thank you, Mr. Vice
10 President.

11 The Board Governance Committee met on August
12 15th, 2017. The Committee reviewed its calendar and
13 discussed ideas and topics for future Board Governance
14 meetings. The Chair directed staff to work with the Chair
15 and the Vice Chair to schedule these items for future
16 Board Governance Committee meetings.

17 The Chair and Vice Chair will also speak with the
18 Board President about the possibility of holding a Board
19 Governance meeting before December 2017 to address
20 potentially moving the election of officers from January
21 2018 to December 2017.

22 The Chair directed staff to work with the
23 Committee Chairs to review future Board and Committee
24 agendas to see if any changes can be made to reduce the
25 number of meetings in 2018. This item will be brought

1 back to the Board Governance Committee in December. The
2 next meeting of the Board Governance Committee is
3 tentatively scheduled for December 19th, 2017 in
4 Sacramento, California.

5 Thank you.

6 VICE PRESIDENT JONES: Okay. Thank you, Ms.
7 Taylor.

8 Agenda Item 8, which is next is for approval of
9 Mrs. Mathur's run for reelection to the Board of the
10 Principles for Responsible Investment.

11 As you will recall, this past April, the Board
12 put in place a requirement stating that the Board must
13 approve when Board members want to sit on an outside board
14 that is related to CalPERS. This includes when a Board
15 member wants to continue serving on that outside board.

16 As the agenda item lays out, Mrs. Mathur is
17 sitting -- a sitting member of the PRI board, and
18 consistent with our policies, coming before us to request
19 approval.

20 So with that, I would ask for a motion to approve
21 Mrs. Mathur's run for reelection to the PRI Board?

22 BOARD MEMBER BILBREY: Move approval.

23 BOARD MEMBER HOLLINGER: Second.

24 VICE PRESIDENT JONES: Moved by Mr. Bilbrey,
25 second by Mrs. Hollinger?

1 Discussion?

2 Mr. Jelincic.

3 BOARD MEMBER JELINCIC: Yeah. In addition to the
4 new policy, PRI requires that board candidates be
5 nominated by the agency from which they come, so that
6 would make it even more appropriate that it be before this
7 committee.

8 One of the questions I have is what it costs? I
9 thought, well, the logical answer is to go look at the
10 travel information transparency, but I noticed that the
11 last posting there is ending December 16th, and most of
12 the claims have -- the travel claims have not been
13 reported. Add I looked at, you know, the one before that,
14 and it was frequently the case.

15 So I'm just wondering, do you have some idea of
16 what it costs?

17 BOARD MEMBER MATHUR: What it costs?

18 BOARD MEMBER JELINCIC: What the expense is
19 related to your PRI is?

20 BOARD MEMBER MATHUR: I couldn't tell you the
21 exact number off the top of my head.

22 VICE PRESIDENT JONES: Wait a minute.

23 BOARD MEMBER JELINCIC: I'll take a ballpark.

24 BOARD MEMBER JONES: Hit your button, Mrs.
25 Mathur, again. I'm sorry.

1 Okay. Thank you.

2 BOARD MEMBER MATHUR: I couldn't tell you the
3 exact number off the top of me head. I'd have to come
4 back to you.

5 BOARD MEMBER JELINCIC: Can you -- can you give
6 me a ballpark?

7 BOARD MEMBER MATHUR: I wouldn't feel
8 comfortable.

9 BOARD MEMBER JELINCIC: Okay.

10 VICE PRESIDENT JONES: Okay. So seeing no
11 further discussion.

12 All those in favor say aye?

13 (Ayes.)

14 VICE PRESIDENT JONES: Opposed?

15 BOARD MEMBER JELINCIC: I'll abstain.

16 VICE PRESIDENT JONES: One -- note Mr. Jelincic
17 as an abstention. And so the item passes.

18 VICE PRESIDENT JONES: Thank you, everyone. And
19 we wish Mrs. Mathur luck with her reelection to the PRI
20 board. Let's give her a hand.

21 (Applause.)

22 VICE PRESIDENT JONES: Okay. So we're now moving
23 on to the proposed decisions of administrative law judges.
24 We have on the phone our counsel for administrative law
25 judges decision Mr. Chirag Shah. Are you there?

1 MR. SHAH: Yes, good morning, Mr. Jones.

2 VICE PRESIDENT JONES: Okay. Do you have any
3 comments before we call for a motion on these decisions?

4 MR. SHAH: No, sir, I do not.

5 VICE PRESIDENT JONES: Okay. Thank you very
6 much. So for this item, I call on Mrs. Mathur.

7 BOARD MEMBER MATHUR: Thank you, Mr. Vice
8 President.

9 VICE PRESIDENT JONES: Oh, this thing is --

10 BOARD MEMBER MATHUR: Thank you.

11 I move that the Board, one, adopt the proposed
12 decisions at Agenda Items 9a through 9k, and 9m through
13 9kk with the minor modifications argued by staff; two,
14 remand Agenda Item 9l for the taking of additional
15 evidence as argued by staff; and three, direct staff to
16 bring back Agenda Item 9hh after all appeal periods
17 applicable to this PD have expired for further
18 consideration of whether this PD should be designated as a
19 precedential decision of the Board.

20 BOARD MEMBER LIND: Second.

21 VICE PRESIDENT JONES: Okay. It's been moved by
22 Mrs. Mathur, second by Mr. Lind.

23 Okay. No -- seeing no further -- Mr. Jelincic,
24 discussion.

25 BOARD MEMBER JELINCIC: Yeah. I just want to

1 acknowledge the handout that we got that shows the
2 correct -- the completion of the staff comment on 9w. And
3 I assume that that completion has also been added to the
4 website?

5 CHIEF EXECUTIVE OFFICER FROST: Correct.

6 BOARD MEMBER JELINCIC: Okay. She says it has
7 been.

8 VICE PRESIDENT JONES: She answered the question.

9 GENERAL COUNSEL JACOBS: Yeah, and there are also
10 copies in the back of the room.

11 BOARD MEMBER JELINCIC: Okay.

12 VICE PRESIDENT JONES: Thank you, Ms. Frost and
13 Mr. Jacobs.

14 BOARD MEMBER JELINCIC: Thank you.

15 VICE PRESIDENT JONES: Okay. So then we move on
16 to --

17 BOARD MEMBER JELINCIC: We need to take a vote.

18 VICE PRESIDENT JONES: Yeah, let's take a vote.

19 BOARD MEMBER JELINCIC: He runs an efficient
20 meeting.

21 (Laughter.)

22 VICE PRESIDENT JONES: Trying to move it.

23 Okay. All those in favor say aye?

24 (Ayes.)

25 VICE PRESIDENT JONES: Okay. The item passes.

1 Thank you very much.

2 Now, we move to Information Agenda Items. We --
3 and thank you, Mr. Shah.

4 MR. SHAH: Thank you, Mr. Jones. Have a great
5 day.

6 VICE PRESIDENT JONES: We move on to information
7 agenda items for State and Federal Legislation Update. I
8 call on Mrs. Ashley.

9 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Good
10 morning, Mr. Jones and members of the Board. I am
11 presenting Agenda Item 10, which is the State and federal
12 legislative update. This is an informational item. And
13 the legislative summary is available for your reference in
14 the Board materials.

15 You may notice that the summary looks a bit
16 different this time. We have reformatted to address a
17 request made by Mr. Jelincic, and at the direction of the
18 Board President, to note those bills that the Board may
19 not have taken a formal position on, but that some action
20 has been taken.

21 We've also made some changes to make it a bit
22 more streamlined, and in efforts to be green. So we've
23 reduced the report from about 24 pages. It's now 15
24 pages. It's divided into four sections. So instead of
25 having A list, B list, and federal list, we now have

1 CalPERS-sponsored measures, active bills, two-year bills,
2 and federal legislation that we are monitoring.

3 And in each section, apart from the 2-year bills,
4 we note the CalPERS position, if it's appropriate, and
5 also actions that have been taken.

6 The legislature has been on recess since July
7 21st. And they are scheduled to reconvene on Monday,
8 August 21st. So things are going to be full speed ahead
9 as the legislature will have until September 15th to pass
10 bills on to the Governor.

11 I'm very happy to report that one of our
12 sponsored measures AB 590, which is our right-of-election
13 bill, has been signed by the Governor, and it will become
14 effective January 1st, 2018. The remaining three
15 sponsored measures are all pending final floor vote and/or
16 concurrence of amendments. And we are hopeful that they
17 will be forwarded to the Governor's desk shortly.

18 On other legislation that we are monitoring, I'd
19 like to highlight a couple of bills. AB 20, which is in
20 regards to the Dakota Access Pipeline, we originally
21 adopted an oppose-unless-amended position on that bill.
22 The bill was amended and the amendments did address our
23 major concerns, so we removed our opposition, and we are
24 now neutral on that measure. CalSTRS likewise removed
25 their opposition, and they are neutral as well.

1 On AB 1597, which is in regards to prohibiting
2 continuing investments in certain investment vehicles in
3 Turkey. We adopted an opposed position on that measure.
4 It was scheduled to be heard in Senate PERS Committee in
5 June. However, the author pulled the bill and it is now a
6 two-year bill, so we will keep the Board updated if that
7 bill moves forward.

8 Also, in the State side, the Senate Select
9 Committee on Women, Work, and Families will be holding an
10 informational hearing on August 29th titled, A Seat at the
11 Table: Why More Women on Corporate Boards Protects
12 Workers, Families, Retirees, and Stakeholders. Anne
13 Simpson from our Investment Division will be speaking on
14 a -- on behalf of CalPERS and participating on a panel
15 speaking to the topic of benefits of gender board
16 diversity. And she will be joined by Anne Sheehan of
17 CalSTRS on that panel.

18 Finally, on the State side, we are currently
19 working on the legislative proposals for 2018. And we
20 will be bringing those to you for your consideration at
21 the November Committee meetings.

22 On the federal side, Congress has also been out
23 on recess, and they are scheduled to reconvene in
24 September. The federal report is available in your Board
25 materials, and federal legislation that we are currently

1 monitoring is listed in the federal legislative section of
2 our leg summary.

3 Also, each of our leg -- our federal
4 representatives will be in-person in September to present
5 their updates. So we will continue to monitor legislation
6 as this legislative year comes to an end, and we will keep
7 the Board updated as appropriate.

8 And so thank you. That concludes my update, and
9 I am happy to the answer any questions. And also would
10 appreciate feedback on the reformatted leg summary.

11 VICE PRESIDENT JONES: Thank you.

12 Mr. Jelincic.

13 BOARD MEMBER JELINCIC: I like it.

14 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Oh.
15 Thank you.

16 VICE PRESIDENT JONES: He said he likes it.

17 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Good.
18 Thank you. I appreciate that.

19 VICE PRESIDENT JONES: Thank you.

20 Okay. Thank you.

21 Seeing no further questions.

22 Then we will move to Summary of Board Direction.

23 Ms. Frost.

24 CHIEF EXECUTIVE OFFICER FROST: Thank you, Mr.
25 Vice President. Other than the Committee reports

1 providing direction, I recorded no additional direction.

2 VICE PRESIDENT JONES: Okay. Than you.

3 So then we will go to Item 12, Public Comment.
4 And I have a list of 12 individuals who would like to
5 speak under public comment. So I'm going to call your
6 name. And if all of you can come and sit here at this
7 second row here, so that when the person before you
8 finishes speaking, then you could just come right up
9 rather than waiting for you to come.

10 So I'm going to call your names and all of you
11 can come down at the same time.

12 Shane McCloud, Scott Dowell, Dave Hutchings, Al
13 Darby, Jason Perez, Kerry Eden, Russ Leonard, Bryan Shaw
14 -- Snow and Karen Spiegel.

15 And the -- you will have three minutes to speak,
16 and there's a clock right here that will advise you of
17 your time. And please introduce yourself and indicate the
18 organization you're affiliated with. And just go straight
19 down the line. As you come up, you'll introduce yourself
20 and start talking. And the clock will go on.

21 So Mr. Darby who is first has requested two
22 additional minutes. And I'm going to allow for those two
23 additional minutes. So give him five minutes.

24 MR. DARBY: Thank you.

25 (Discussion off the record.)

1 VICE PRESIDENT JONES: Not unless they request
2 it. Mr. Darby requested it. So if they request
3 additional time, we provide it.

4 GENERAL COUNSEL JACOBS: Mr. President?

5 VICE PRESIDENT JONES: Yes.

6 GENERAL COUNSEL JACOBS: I think that's
7 problematic in that you basically have to give everybody
8 the same amount of time.

9 VICE PRESIDENT JONES: Okay. All right. So you
10 all have up to five minutes, if you need it.

11 You don't have to use it. Okay. But just to be
12 within the law.

13 Okay. Than you, Mr. Jacobs.

14 BOARD MEMBER COSTIGAN: Mr. President.

15 I understand that we've now gone from 30 minutes
16 to 60 minutes for public comment. So I'm not sure that
17 granting the additional time is required.

18 VICE PRESIDENT JONES: Yeah. And I don't -- I
19 don't get a sense that all members will take the full
20 five. So since member requested, so I'm going to
21 authorize it.

22 BOARD MEMBER COSTIGAN: Okay. So that everybody
23 -- I just want to make sure everybody gets five minutes.

24 VICE PRESIDENT JONES: Up to 5 minutes. If you
25 don't need it --

1 BOARD MEMBER COSTIGAN: Everybody gets up to five
2 minutes?

3 VICE PRESIDENT JONES: Yeah, so that still will
4 give us -- we've still got time.

5 Okay. Mr. Darby

6 MR. DARBY: Good morning, Board. Al Darby RPEA,
7 vice president. We represent 24,000 public employees who
8 are non-State mainly. Two-thirds of our membership are
9 public agency or school district employees.

10 RPEA applauds the 11.2 percent investment
11 realized -- investment returns realized in 2016/17 fiscal
12 year, even though it underperformed the benchmark.

13 It is a very welcome improvement over the past
14 two years. We all know that this type of performance must
15 be sustained over the next several years to restore the
16 PERF to a healthy condition.

17 We also support the renewed private equity
18 initiatives assuming there have been some accommodations
19 on the fee issue -- acceptable accommodations.

20 Global equity performance over the past nine
21 months has validated the convictions of a minority on this
22 Board that staying the course of long-term investing is
23 the prudent practice. This has been the credo of CalPERS
24 investment policy almost forever.

25 This policy should have benefited the -- would

1 have benefited the PERF more in this recent fiscal year
2 had this new investing philosophy of less risk and
3 diminished expected returns were almost guaranteed by the
4 retrenched asset allocation adopted a year ago.

5 A recent phenomenon, that of claiming negative
6 cash flow, demands that we ask assets to work harder to
7 help offset new financial strain on the PERF. I would
8 point out that cash flow is cash-in cash-out. The
9 investment portfolio is there to pay benefits. To ignore
10 cash generated by the portfolio through dividends and
11 interest as cash-in hinders serious planning, because it
12 creates the illusion that assets are being sold for
13 cash-out purposes.

14 Recognizing the strength and health of the
15 current U.S. economy, the recent vigor in the global
16 equity, the reduced U.S. life expectancy data, the
17 enthusiasm for equity exposure by Wall Street analysts at
18 Monterey last January, we agree that CalPERS Board members
19 who oppose the downward glide path in the discount rate
20 that coincides with our position of our RPEA, and the many
21 public employers who are affected this.

22 RPEA recommends that the discount rate reductions
23 be suspended until the ALM process is completed to
24 determine if the ALM process recognizes the new stock
25 market realities and changes the policy on equity

1 allocation.

2 Lastly, this Board muss not lose sight of the
3 fact the discount rate is the expected return on the
4 portfolio. The asset allocation should drive the discount
5 rate not the other way around. If the Board cannot live
6 with the portfolio's expected return, it must re-examine
7 the asset allocation. Right now, they don't match up
8 well.

9 Thank you.

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

11 Next.

12 MR. DOWELL: Yes. Good morning. Thank you.

13 My name is Scott Dowell. I'm the administrative
14 services director for the City of Chico. Recently, our
15 city manager Mark Orme met with Mrs. Marcie Frost
16 regarding the challenge the City of Chico is facing with
17 the payment of new CalPERS unfunded liability payments.
18 Mrs. Frost was warmly -- warmly received our city staff
19 and provided an attentive ear as we voiced our concerns.
20 We greatly appreciate our meeting with Mrs. Frost.

21 With that being said, I'm here today to briefly
22 share the City of Chico's story with you. City of Chico
23 is a charter city located 90 miles north of Sacramento
24 with a population of about 92,000. The city currently
25 employs 359 FTEs. Our current year generally fund

1 operational budget is just short of \$45 million. We have
2 a safety and miscellaneous retirement plan with CalPERS.

3 The city, as many agencies were, were hit very
4 hard by the Great Recession. During the recession, we
5 dealt with large revenue decreases, including the loss of
6 RDA funding. This resulted in great service reductions
7 for the residents of Chico, and a staffing cut from 407
8 FTEs to 348.

9 The city almost declared bankruptcy when our
10 general fund balance deficit was \$7.6 million in 2013.
11 Now, thank God, four years later with prudent budgeting,
12 conservative spending practices, and employee concessions,
13 the city has recovered from the deficit and is starting to
14 put dollars back into emergency reserve. Our recovery
15 has not been 100 percent, because we're still lacking
16 adequate reserves, and we're still feeling the effects of
17 reducing staffing levels.

18 Now, we're faced with the newest challenge is
19 paying the unfunded pension liability. We project total
20 employer annual payments for both our plans to grow from
21 \$11 million this year to 20 million in five years. This
22 is an 80 percent increase. Our general fund pension
23 contribution in five years will be 27 percent of our
24 general fund revenues.

25 Our future general fund revenues are showing red

1 ink as a result of these additional pension contributions
2 we'll be required to make. Our city management team has
3 been strategizing on the best ways to address these
4 impending challenges. We met with CalPERS staff, which
5 has been very fruitful. We appreciate that. We've met
6 with outside consultants as well, and then working
7 internally to kind of address these.

8 Our conclusion, if the pension plan contributions
9 continue as projected, we'll be forced to explore
10 additional revenue sources or reduced expenses deeply.
11 Racing taxes, as you know, is not a popular option. And
12 it's not popular in the City of Chico at all or with our
13 city council. Reducing staffing that is already thin is
14 the last option we want to look at as well.

15 So I come today to kind of give you a reality
16 check from our standpoint of where we're at. And let you
17 know if we continue on at this, it's going to have great
18 repercussions to our city. So we're asking for your help
19 to review all options and minimize these increases in the
20 future. City of Chico management is willing to meet with
21 CalPERS staff, the Board, whatever to share our thoughts,
22 our ideas, and to see if we can have some constructive
23 dialogue back and forth

24 Again, we view it as a partnership. We
25 appreciate obviously CalPERS what you're doing. But on

1 the flip side, we're going to need some help. And I know
2 we're not the only city. And so as we go through the
3 future here, we're just asking for some help in that
4 discussion.

5 Thank you.

6 VICE PRESIDENT JONES: Thank you. And as you
7 indicated earlier, Mr. Dowell, you have met with staff and
8 they've been engaged with you, and I'm sure they will
9 continue to be engaged with you.

10 MR. DOWELL: Yes.

11 VICE PRESIDENT JONES: Mr. Jelincic.

12 BOARD MEMBER JELINCIC: Yes. This is not a
13 PERS-specific related question, but were you able to save
14 the Hooker Oak?

15 MR. DOWELL: The actual Hooker Oak was destroyed,
16 I believe, by -- well, it wasn't lightning, but it fell
17 apart about 20 years ago. So the actual Hooker Oak is now
18 cut up and it's in a warehouse with -- no one hasn't
19 decided what they want to do with it yet, what kind of
20 construction or something, building a desk or something
21 for city hall. We haven't figured that out.

22 BOARD MEMBER JELINCIC: Thank you.

23 ACTING BOARD MEMBER DOWELL: You're welcome.

24 VICE PRESIDENT JONES: Next.

25 MR. HUTCHINGS: Good morning, members. Dane

1 Hutchings with the League of California Cities. I'll keep
2 my comments brief. I've spoken over the past year with
3 hundreds if not close to a thousand city officials up and
4 down the State of California. And I can tell you that
5 whether I am coastal or inland valley north or south,
6 Chico story is certainly not alone.

7 It is our contention that cities will be impacted
8 the most out of all public stakeholders, including the
9 State and other local agencies simply by the way our full
10 service cities are designed and the limited ways we are
11 able to generate revenue.

12 I'm here today simply to, you know, first off,
13 support one of my members who traveled up here today just
14 to speak to this body, but also to tell you that the
15 League is actively working to forge a partnership, not
16 only with this body, but with the executive staff. We've
17 had the fantastic opportunity to spend some time with
18 Marcie Frost and her team. And our board of directors has
19 also recognized this as an issue, and has adopted a series
20 of new pension principles that we hope can -- we can help
21 educate and advocate with our own membership to ensure
22 they can be a voice here, so you can hear their voices
23 similar to my colleague.

24 We're also very much looking forward to the
25 employer conference. I think it's going to be a fantastic

1 time for us to be together and be able to have that time
2 with you.

3 But lastly, I -- you know, I appreciate, as the
4 first gentleman mentioned, the 11.2 percent return was
5 fantastic and we are thrilled to see that, but we
6 certainly don't view this as being in a vacuum. We know
7 that if 7.375, or 7.5, or even 7 and a quarter, or 7
8 percent is the benchmark, then 11 percent is only a few
9 points up from zero.

10 And so we certainly know there's work to be done
11 here, and the League does not want to shy away from this
12 challenge. We encourage a partnership with not only this
13 body, the State legislature, the Governor's office, and of
14 course our employee partners as we move forward. So thank
15 you very much for your time today.

16 VICE PRESIDENT JONES: Thank you for your
17 comments.

18 Next.

19 MR. McLOUD: My name is Shane McLoud. I'm as a
20 representative of Money Out Voters In. an organization of
21 democracy advocates dedicated to ending corporate rule,
22 and promoting civic engagement. I'm also a former public
23 school teacher of over 10 years in Los Angeles and a
24 former America school board member of Santa Monica Malibu
25 Unified School District.

1 I believe that the Board is aware of the letter
2 sent last month by the Free Speech For People encourage
3 campaign, which alerted the Board to the problem created
4 by CalPERS investment in the CIM Fund III and CIM funds
5 investment in Trump SoHo. California dollars are going
6 into Donald Trump's pocket and our State is therefore
7 abetting Donald Trump in his continuous violations of the
8 Emoluments Clause of the U.S. Constitution.

9 CalPERS has a long history of creating change
10 through demanding accountability and transparency from
11 their investments. It's time they do the same with the
12 CIM Fund III and demand that it divest or sell its
13 interest in Trump SoHo or terminate the payment
14 arrangements with the Trump organization to end the
15 violations of the domestic Emoluments Clause. If CIM Fund
16 III refuses, CalPERS has its own ethical and legal
17 obligations to meet and should divest from CIM Fund III
18 altogether.

19 President Trump has been playing a dangerous game
20 of continuing to link himself with the Trump organization
21 and its promotion. Creating this kind of link between Mr.
22 Trump's position as U.S. President and the status of his
23 business risks, not only the appearance of impropriety,
24 but it raises grave concerns about the integrity of our
25 Democratic system. CalPERS must not allow its investments

1 and the hard earned pension dollars of State workers to
2 fall prey to this scheme.

3 CalPERS has built a reputation as being at the
4 vanguard of corporate governance, transparency and ethical
5 investing, but Trump's refusal to divest his holdings in
6 the Trump organization has put the pension fund in a
7 compromising position as investors in a real estate fund
8 known as CIM Fund III. CIM Fund III acquired the Trump
9 SoHo in 2015. And under the terms of the agreement, CIM
10 Fund III pays millions in marketing fees directly to the
11 Trump organization. CalPERS must stop funneling
12 California retiree dollars directly into the Donald
13 Trump's pocket.

14 As long as California money is going into Donald
15 Trump's pocket, we are complicit in his violations of the
16 Emoluments Clause of the U.S. Constitution.

17 Finally, I urge the Board either to divest
18 completely from the CIM Fund III fund -- CIM Fund III or
19 to use this economic muscle of CalPERS to persuade CIM
20 Fund itself to divest from Trump SoHo. No other outcome
21 is acceptable.

22 Thank you.

23 VICE PRESIDENT JONES: Thank you for your
24 comments. And we are aware that a letter has been
25 received and staff is reviewing that, and response will be

1 provided.

2 MR. McLOUD: Thank you.

3 VICE PRESIDENT JONES: Next.

4 MR. PEREZ: Good morning. My name is Jason
5 Perez. I'm the President of the Corona Police Officers
6 Association. I represent 162 sworn officers.

7 I spoke Monday to most of you. And I came up
8 with notes to speak about some of the stuff that the
9 gentlemen from Chico and from the League that already
10 spoke about hearing everyone, including the last gentleman
11 that spoke. I can't imagine the pressure and just all the
12 information that you guys absorb during -- throughout your
13 year.

14 So in police work, there's something called the
15 reasonable standard. If we use force to take somebody
16 into custody, they judge us on the same time and
17 experience and training as another police officer. That's
18 called the reasonableness standard. And I was thinking
19 there's got to be something kind of similar for you folks.
20 In researching it, it's called the prudent person rule.
21 And that basically requires you all to -- as fiduciaries,
22 to invest in a prudent -- well, here let me just read you
23 what I found.

24 A standard that requires that a fiduciary
25 entrusted with funds, or investment, may invest such funds

1 only in securities that any reasonable individual
2 interested in receiving a good return of income, while
3 preserving his or her capital, would purchase,
4 historically known as the prudent or reasonable man rule.
5 This standard does not mandate an individual to possess
6 exceptional or uncanny investment skill - not that you all
7 don't - but it requires that only a fiduciary exercise
8 discretion and average intelligence in making investments
9 that would generally be acceptable as sound.

10 I'm a police officer. I've only ever been a
11 police officer since I was a kid. This is my second job
12 other than Pizza Hut. I don't pretend to know how to
13 invest. I maxed out my deferred comp, because I worry
14 about the fund, and I worry about medical costs.

15 I don't think it's reasonable for you to not
16 invest in funds that make the most money. And I don't
17 know all the circumstances surrounding the -- what the
18 last gentleman spoke about, but I understand it's the
19 policy or the philosophy of the Board not to divest, but
20 then you divest when it's convenient. I don't understand.
21 I don't understand. Yes, I may be speaking out of
22 ignorance, but you all can do a better job of education
23 then, if that's the case.

24 Additionally, the item something or other where
25 Ms. Mathur was being reelected to a board. On Monday, I

1 sat through a discussion that you all had regarding the
2 propriety of Board members sitting on other boards for
3 your -- the company's that you invest with. So I don't
4 understand why it's okay. And a quick Google search
5 revealed that several of you sit on boards of other
6 organizations. And I don't understand why if it's not
7 good for the goose, it shouldn't be good for the gander.

8 I learned this week also that you -- during those
9 discussions, that you cap the salary ranges for your
10 investment team members. And I don't understand
11 completely why. If -- as the average potential retiree, I
12 think it's prudent. I want the guy that's hungry, that's
13 ravenous, that wants to make a name for himself and make
14 the fund a lot of money. That's the guy I want. And if
15 it costs \$900,000 for him to bring in millions more than
16 that, then so be it. And if that means that you all have
17 to take pressure from the public or from whomever that you
18 receive political pressure from, take it. Your job is to
19 make us money, period, end of story.

20 Thank you.

21 VICE PRESIDENT JONES: You're welcome.

22 Thank you.

23 Next.

24 MS. EDEN: Good morning. My name is Kerry Eden.

25 And I'm the Assistant City Manager and Administrative

1 Services Director for the City of Corona. And similar to
2 the City of Chico, I'm here to express concerns with our
3 PERS pension obligation. The actuarial from last year
4 showed that in our forecast cast over five years, we were
5 going to be having an increase of over \$11 million to our
6 contribution amount annually -- or, excuse me, over the
7 five-year period.

8 We just received our current actuarial, and that
9 numbers has grown to over \$16 million. As Chico
10 expressed, our revenues are flat. And with expenses
11 continuing to rise, we have a budget that this year, for
12 the first time in five plus years, we had to dip into our
13 reserves to balance our budget. With the forecast that we
14 have for over the next five years, I show that come year
15 '21 -- 2021, we will be out of our reserves, and we will
16 have nothing to fund our operations with.

17 We are considering the reduction of services to
18 our city. We are talking about having to reduce staffing
19 levels. Coming out of the recession, we have already
20 reduced staffing levels by 240-some positions over the
21 last five years. We are in negotiations with all of our
22 employee groups currently. We are talking about reducing
23 benefits of concession bargaining. As you can imagine,
24 this is not a very easy discussion or negotiation time
25 four our city. But we are in a very difficult situation

1 where difficult decisions are having to be made.

2 So I'm really asking that you work hard on our
3 investments and hear what we have to say. We need your
4 help. And looking out with what those annual
5 contributions are, you're going to be bankrupting a lot of
6 cities, if we don't start seeing some changes.

7 Thank you.

8 VICE PRESIDENT JONES: Okay. Thank for your
9 comments. And we will be working with you.

10 MS. EDEN: Thank you.

11 VICE PRESIDENT JONES: Next.

12 MR. LEONARD: Good morning. Good morning, Board.

13 My name is Russ Leonard. I represent the City of
14 Corona General Employees Association as President. And I
15 came here today to express our concern with the decisions
16 of the Board regarding divestment and changes to the
17 discount rate.

18 As Kerry said, the city is coming into hard
19 times. And most of that is due to rising PERS costs. You
20 know, with these changes come great costs to the cities.
21 I think it's probably best to give an example of how the
22 changes here in the PERS costs affect general employees at
23 the city level.

24 So we haven't had a raise in over 10 years, not a
25 cost of living, nothing. So I take home today what I took

1 home 10 years ago. And the funds that the city has put
2 aside for those costs of living raises. They've been
3 continually eaten up by the rising PERS costs and health
4 insurances costs and things like that.

5 So should PERS continue to lower the discount
6 rate, which in turn raises the cost on the city that the
7 city has to pay, we'll be in an even worse place. So I
8 just came today to ask that you guys take that into
9 consideration when you're looking at lowering the
10 advertise count rate again.

11 I know 11 percent is great. But like members
12 who've spoken before me, you know, if the starting point
13 is 7, 7 and a half, that's only three percent above zero.
14 So we definitely need to do a lot better with our returns
15 and get us back on track just because it has devastating
16 effects on city employees, and really the citizens of
17 Corona. They're going to be experiencing less services
18 just because we can't afford to do the things that we need
19 to do.

20 So thank you for your time today.

21 VICE PRESIDENT JONES: Okay. Thank you for your
22 comments.

23 Next.

24 MR. SNOW: Honorable Chair and Board. Thank you
25 again for the opportunity to speak in this committee

1 meeting. When I -- over the years I've learned that
2 when --

3 VICE PRESIDENT JONES: Can you indicate your
4 name, please.

5 MR. SNOW: Oh. My name is Bryan Snow. I'm sorry
6 with the Corona Police Officers Association. I've learned
7 that when you want to learn something, usually it needs to
8 be gone over again and again and again. And I've also
9 learned that when something is repeated, oftentimes I've
10 learned that that's something I need to look into a little
11 bit more or figure out.

12 And that is why we continue to repeat the mission
13 of CalPERS, which is to provide responsible and efficient
14 stewardship of the system to deliver promised retirement
15 and health benefits while promoting wellness and
16 retirement security for members and beneficiaries.

17 On -- I won't take the five minutes, even though
18 thank you for that time.

19 On Monday, during the marathon Investment
20 Committee meeting, a board member talked about holding
21 corporations accountable. And that if others weren't
22 going to do it, then the investors need to hold them
23 accountable. And that's -- that's why a lot of us are
24 here to hold the Board accountable for the decisions that
25 you make with our money and with the investments.

1 We have no motive, other than for CalPERS to be
2 fully funded, and to have our pensions, and to not push
3 the responsibility back on taxpayers, on employees, and
4 cities. It is causing undue hardship on so many people.
5 And you're hearing that from more and more. Chico and
6 Corona are just two of the thousands of cities that are
7 affected by the decisions that are made here.

8 And also, the idea that the Board would even
9 consider dropping the rate even lower than seven percent,
10 I think is absurd, and is evidence that the Board has no
11 idea what is happening outside these walls or that you
12 don't care.

13 Nearly all successful companies conduct
14 after-action reviews. The CalPERS membership expects
15 transparency. I suggest, and even demand, that you
16 conduct a thorough 20-year look-back to see what mistakes
17 have been made, admit any mistakes that have been made,
18 and to fully fund our pensions. It may be uncomfortable,
19 it may not be something that puts you in the best light,
20 but it's the right thing to do, so that we can correct our
21 course, because it definitely needs a course correction,
22 as you've already heard.

23 Last year's return is great news. And we
24 appreciate the hard work that the -- that the team members
25 are trying to do for us, and for you as the Board.

1 As CalPERS members, we'd love to meet with any
2 Board member or any team members who want to be part of
3 the solution. And I apologize if my words may be harsh,
4 but I think it's important that you know how we feel, that
5 you know how this affects us, but we also want to be part
6 of the solution. So what we can do, please let us know,
7 but we will keep coming back. We won't -- we don't back
8 off. We're going to keep bringing these issues up, and to
9 let you know how it affects us. And you're going to see
10 more and more cities come up here. It's not going to
11 stop, because this is going to affect us for years. So we
12 appreciate your time.

13 Thank you.

14 VICE PRESIDENT JONES: Thank you for your
15 comments.

16 MS. SPIEGEL: Good morning. I think it's still
17 morning. My name is Karen Spiegel. And I am current Vice
18 Mayor City of Corona, past treasurer, and 20 years of
19 public service I have been actively involved with being a
20 part of PERS in terms of being the representatives within
21 the city that make decisions that affect our ability to
22 negotiate with our employees. I'm also past president of
23 the Riverside Division League of California Cities.

24 And in talking with many of the other cities
25 within our region, they have yet -- some of them have not

1 yet realized some of the issues that they will be facing.
2 Many of our cities have worked with the sheriff and
3 CalFire, and those are issues of trying to get them fully
4 burdened, when they pay for them, which I can tell you I
5 don't think they are.

6 But the long run is is that CalPERS long-term
7 sustainability plan is hurting the cities, our short-term
8 plans, as I've heard several of my colleagues up here and
9 our finance director. We realize in 2008 -- well,
10 actually before 2008, of the onset of our crisis in our --
11 all of our financial situations. And we began in one day
12 eliminated close to 200 positions. We had warm bodies go
13 out the door in one day. That was tough, but we did that
14 in 2008 foreseeing there was a challenge, much quicker,
15 much sooner than everybody else.

16 And that's important to acknowledge, because we
17 have not sat back and done nothing. We have been working
18 and negotiating and cutting. And as you've heard, I'm
19 sitting behind you, but behind my back, we are not doing
20 well in negotiations, because we cannot sustain our city
21 at the rates that it is. And it's not just CalPERS. It's
22 obviously also the medical portion. But the two together
23 is devastating cities. We are taking a very proactive
24 early on. But some cities who aren't acknowledging it as
25 an issue will have substantial issues to be dealing with

1 very soon, much sooner than they anticipate.

2 Some of the cities I know in Riverside County
3 have done sales tax increases just to pay these -- this
4 unfunded liability that is incurring. Corona is one of
5 your first CalPERS. We are an older city, so we have much
6 more of the unfunded. And every time we're ready to make
7 our payment, and the payment gets bigger and bigger, that
8 liability becomes greater and greater. And it's going to
9 just swallow us.

10 And somehow, we have to work together. Before I
11 came here, I've already met with my legislators, with
12 Senator Roth as well as Assemblywoman Cervantes. They're
13 willing to work. There's not much that they feel they can
14 help us.

15 So I'm just asking everybody what can we do to
16 work together? We all got here at the same time. And
17 let's figure out how we can get back, because it's very
18 important that we look at all of our fundamental
19 principles. I realize that there's a concern about
20 placing dollars over principles, and I get that, but we
21 have to work at placing principles over the dollars for
22 our employees.

23 Those people that have worked, planned their
24 entire life, and suddenly now there's a question. Any
25 city that bankrupts, you well know those obligations are

1 still there. And where do you make it up? By cutting
2 their retirement that they've worked their entire career
3 for, or those that are currently, you know, getting close
4 to the end, and you can't change that.

5 Anybody over 50 going out and starting a new
6 career, good luck. And so when you have these
7 employees -- so I represent them. You represent us. We
8 need to somehow work together and get a plan. Use us. We
9 want to be a part of it. We don't want to just sit here
10 and tell you you're wrong. We want to say how can we help
11 get this resolved.

12 So as you've heard, we're going to be working
13 together. And let's be a team on this and not just let us
14 die here in this liabilities.

15 Thank you.

16 VICE PRESIDENT JONES: Thank you for your
17 comments. And we do share your concerns, all of you who
18 have made comments about the funded status et cetera. And
19 we, too, are very concerned about the sustainability of
20 our fund, because we've made commitments to 1.8 million
21 people for their retirements, and so we want to keep that
22 promise.

23 And as you mentioned, some of you mentioned that
24 staff is open to working with you, and we continue to seek
25 your input in trying to deal with these issues as they

1 come up. And as Mrs. Frost indicated that the workshops
2 and our educational seminar is a good opportunity to have
3 that dialogue. So I would urge you to attend, if you
4 haven't already decided to attend. I think that would be
5 a good forum to get some of the detailed information about
6 strategies that we're planning to do, and also receive
7 your input at that time.

8 Mrs. Frost, you want to make any additional
9 comments on that?

10 CHIEF EXECUTIVE OFFICER FROST: Thank you, Mr.
11 Vice President. As I mentioned in my report this morning,
12 we have seen more employers coming to talk to us about the
13 hardships of balancing the need to offer other services in
14 addition for paying for benefits that they've already
15 promised to their employees.

16 One of the items that I'm speaking with the Board
17 President about right now is an evening before the
18 Educational Forum, where we could have some of our
19 employers, a few of our Board members, and our team get
20 together on that evening before the actual event begins to
21 talk more about some of these issues that our employers
22 are facing. So we'll continue to find opportunities where
23 you can hear from the employers. And again, we remain
24 open and accessible to them as well.

25 VICE PRESIDENT JONES: Okay. Thank you very

1 much.

2 Okay. So seeing no further requests to speak,
3 the open session meeting is adjourned. And we will
4 convene closed session as soon as we clear the auditorium.

5 Thank you very much for your attendance.

6 (Thereupon the California Public Employees'
7 Retirement System, Board of Administration
8 open session meeting adjourned at 10:07 a.m.)

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

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 22nd day of August, 2017.



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