APPEARANCES

COMMITTEE MEMBERS:
Ms. Dana Hollinger, Chairperson
Mr. Ron Lind, Vice Chairperson
Mr. Rob Feckner
Mr. Richard Gillihan
Ms. Priya Mathur
Mr. Bill Slaton
Ms. Betty Yee, represented by Mr. Alan Lofaso

BOARD MEMBERS:
Mr. Michael Bilbrey
Mr. Henry Jones, Vice President
Mr. John Chiang, represented by Ms. Jeree Glasser-Hedrick
Mr. J.J. Jelincic

STAFF:
Ms. Marcie Frost, Chief Executive Officer
Mr. Matthew Jacobs, General Counsel
Ms. Marlene Timberlake-D'Adamo, Interim Chief Financial Officer
Ms. Beliz Chappuie, Chief Auditor
Ms. Carrie Lewis, Committee Secretary
Ms. Kami Niebank, Deputy Chief Compliance Officer
ALSO PRESENT:
Mr. David Driscoll, Conduent HR Consulting
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P R O C E E D I N G S

CHAIRPERSON HOLLINGER: The Risk and Audit Committee meeting is called to order. First item on the agenda is roll call.

COMMITTEE SECRETARY LEWIS: Dana Hollinger?
CHAIRPERSON HOLLINGER: Here.
COMMITTEE SECRETARY LEWIS: Ron Lind?
CHAIRPERSON HOLLINGER: I believe he's here.
COMMITTEE SECRETARY LEWIS: Rob Feckner?
COMMITTEE MEMBER FECKNER: Good afternoon.
COMMITTEE SECRETARY LEWIS: Richard Gillihan?
COMMITTEE MEMBER GILLIHAN: Here.
COMMITTEE SECRETARY LEWIS: Priya Mathur?
COMMITTEE MEMBER MATHUR: Here.
COMMITTEE SECRETARY LEWIS: Bill Slaton?
Alan Lofaso for Betty Yee?
ACTING COMMITTEE MEMBER LOFASO: Here.
CHAIRPERSON HOLLINGER: Okay. First item on the agenda is the -- or the second item is the Executive Report.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Thank you. Good afternoon, Madam Chair and Vice Chair, members of the Committee and the Board. Marlene Timberlake-D'Adamo, CalPERS team member.
I would like to update you first on a revision to
a Consent Item for Item 4f. We actually -- in the -- in the document you actually have a handout, because there was a percent that was left off the pie chart. And so you'll see that we've updated that and provided you with that information. So I just wanted to let you know that. The topic is about the ethics complaints received.

CHAIRPERSON HOLLINGER: Got it.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Today's RAC agenda consists of only two information items. Beliz Chappuie and Conduent HR consulting, the CalPERS third-party actuarial firm, will present the independent reviews of the actuarial valuations for the Judges' Retirement System, Judges' Retirement System II, Legislators' Retirement System, and the 1959 Survivor Benefit Program as of June 30, 2016.

You will also hear the fiscal year 2016-17 annual compliance report document. That document is CalPERS most significant compliance related improvements and accomplishments for the year.

The next Risk and Audit Committee meeting is scheduled for November 13th, 2017 and includes the independent auditor's report for fiscal year 2016-17, a review of the independent auditor's management letters, and the Enterprise Risk Management framework review.

Thank you, Madam Chair. This concludes my
report, and I would be happy to take questions.

CHAIRPERSON HOLLINGER: Thank you very much.

Please note for the record that Ron Lind and Bill Slaton
are here. Are there any questions?

Okay. Seeing no questions.

The next item on the agenda is Item 3. It's an
action consent item. Do I have a motion for approval of
the minutes?

VICE CHAIRPERSON LIND: Move approval.

COMMITTEE MEMBER MATHUR: Second.

CHAIRPERSON HOLLINGER: Okay. All in favor of
approval of the minutes from the 2017 Risk and Audit say
aye?

(Ayes.)

CHAIRPERSON HOLLINGER: Okay.

Okay. Next item, is Item 4. It's a consent
item. And I believe --

GENERAL COUNSEL JACOBS: Ms. Hollinger?

CHAIRPERSON HOLLINGER: What?

GENERAL COUNSEL JACOBS: I'm sorry to interrupt,
but you do have to ask if there were any nay votes.

CHAIRPERSON HOLLINGER: Oh. Were there any nay
votes?

No. Okay. Thank you. Appreciate that.

Okay. The next item on Item 4 are consent items.
I guess the one item that I have a request to be pulled is 4f. But Mr. Jelincic, does getting the handout change anything?

BOARD MEMBER JELINCIC: No.

CHAIRPERSON HOLLINGER: Okay. So with the exception of 4f, which I guess we'll have a discussion.

Mr. Jelincic.

BOARD MEMBER JELINCIC: Yeah, 4f which is the quarterly compliance report. At the bottom of page one, it says that at the end of the fourth quarter of 2016-17, there were 66 past due consultant fliers, and 27 that were filed. The 2016 annual Form 700 filing season ended April 3rd, 2017. At the end of the fourth quarter, 31 consultants were past due for their 2016 statement. The remaining six past due filers were from 2015 filing season.

So if they have not filed their Form 700, I would assume that they are in breach of the contract. And my question is do they still work for us?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So the one thing that I will note about this — what we're doing here is that we've undertaken a large project this year to educate our consultants around the Form 700 filing process, and the requirements that exist.

So we have been continuing to educate all of our
consultants around the form filing -- form 700 filing process, what's due, when it's due, and for whom it is due. So to answer your specific question about whether each of the five still works with us, I'd have to get back to you on that. But I understand what you're saying around, you know, the fact that it could be problematic the fact that they haven't. What I'm -- what I will tell you is that beginning at the end of '16 and through '17, we've undertaken a large project to educate those consultant filers on the Form 700 filing process, and that we continue to get them -- bring theme into compliance as we work through this project.

BOARD MEMBER JELINCIC: And they all signed contracts that said they will file these Form 700s. And the message has been we don't really care.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: I don't know that that's necessarily the message. I think what we do is we work with them to make them understand that if someone comes off of a project or comes on the project, you know, there are different things that have to happen. And so we're working with them to make sure that everyone who's supposed to file is filing. And I get your point about filing timely.

BOARD MEMBER JELINCIC: Yeah, I mean, if we send them all an email that says if it's not filed by next
Friday, you're contract is voided, I bet there -- most of them get filed by next Friday.

Thank you.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: You're welcome.

CHAIRPERSON HOLLINGER: Mr. Slaton.

COMMITTEE MEMBER SLATON: Thank you, Madam Chair. Just on the same point, do our contracts contain a clause that failure to file this is grounds for contract termination?

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: I don't know. I not sure for all have them. I mean, that's a general --

COMMITTEE MEMBER SLATON: Or do we consider it to be grounds --

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: -- a pretty broad statement.

COMMITTEE MEMBER SLATON: Or do we consider it to be grounds for termination? I mean, you know --

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Well, I think what I would say before Matt comes up -- Matt's like, please. What I would say is that the project that we have undertaken has been a very large project, that where we have really brought in the consultants and talked to them individually one to one and
gone through what the requirements are and how it relates to them.

And so what I will say is that there probably are not many, or any, that, you know, are just, you know, that we're saying that we're not going to get them to file. I think what we're trying to do is making sure that we're bringing them into compliance.

COMMITTEE MEMBER SLATON: Right. I guess what I'm saying is on a go-forward basis, the process of contracting with an outside company should contain the instructions, if, in fact, this our requirement versus, you know, before the Controller can cut a check to them, they have to be -- I mean, I don't know what the rules are, but it appears to me that maybe we're not communicating a standard set of rules as to who and when has to file as part of the contract process. But I -- that's what -- my question.

DEPUTY CHIEF COMPLIANCE OFFICER NIE BANK: Kami Niebank, CalPERS staff. So the contract does have a provision that we may determine that a vendor is a Form 700 filer. It doesn't necessarily outline the process or the FPPC's process for if they're delinquent what exactly would happen.

One of our initiatives in Compliance this year is to work really closely with OSSD to really try to get in
front of the contract going out, because people have 30
days from the date that they sign the contract to then
actually fill out their form 700. So we're really working
to make sure that the paperwork, when they'll all happy
and signing the contract, that the paperwork around who
would be a filer, is in that paperwork with the contract,
so that we can get that back and get the right person the
form at the right time --

  COMMITTEE MEMBER SLATON: Right.

  DEPUTY CHIEF COMPLIANCE OFFICER NIEBANK:
  -- because maybe for now we might have -- you
know, the CFO or someone who's responsible for that
contract, we may not have the actual person who was
perform the work that would be deemed the filer. So
working through the process of that has what's been a
little bit slow. We didn't have a real tight process, but
we have been working with, like I said, OSSD to really
tighten that process up.

  COMMITTEE MEMBER SLATON: Okay. That answers my
question. Thank you.

  CHAIRPERSON HOLLINGER: Any further questions?
  Okay. Then we'll move on to the next item,
number 6. Again, it's an information item. Ms. D'Adamo
is going to report on the Enterprise Compliance.
D'ADAMO: I think we skipped Item 5.

CHAIRPERSON HOLLINGER: Oh, I apologize, Ms. Chappuie, you're right. Item 5, Beliz Chappuie, report on the audit.

CHIEF AUDITOR CHAPPUIE: Good afternoon, Madam Chair, members of the Committee. Beliz Chappuie, Office of Audit Services. Agenda Item 5a is an information item related to actuarial parallel valuation of the Judges's Retirement System I and II, Legislators' Retirement system, and 1959 Survivor Benefit Program.

The Board retains the services of an outside actuarial firm to review the work of CalPERS actuarial staff and to certify that their work complies with actuarial professional standards.

Buck Consultants a third-party actuarial firm was selected by the Board in November 2015. At the beginning of 2017, Buck Consultants were spun off from Xerox, and now are known as Conduent HR Services. Conduent completed its independent review of the Judges' Retirement System I and II, Legislators' Retirement System, and 1959 Survivor Benefit Program as of June 30, 2016.

David Driscoll from Conduent is joining me today present their report and findings to the Committee and to answer any questions that you may have. I would like to turn it over to David at this time.
Thank you.

MR. DRISCOLL: Thank you. I am pleased to appear before the Board today and to report that we have completed Task 3 under our contract to provide parallel valuation certification services. And as mentioned, in Task 3 we were reviewing the June 30th, 2016 valuations prepared for the 1959 Survivor Benefit Program, the Legislators' Retirement System, the Judges' Retirement System and the Judges' Retirement System II.

You've received reports on our parallel valuation and certification efforts for each of those four systems. We're pleased to report that for each of these systems, we were able to reproduce the results achieved by CalPERS actuarial staff within five percent. In some case -- in many cases, we were able to match actually much more closely than that. We found that the actuarial assumptions, and methods, and procedures summarized in the report satisfied all applicable actuarial standards of practice. We found that the reports were appropriately prepared, generally found that the actuarial staff of the CalPERS retirement -- of CalPERS prepared these reports in a highly professional and impressive manner.

We did note the existence of a couple of minor technical issues. In particular with the Judges' Retirement System, there was a -- an absence of a
pre-retirement mortality assumption for people who'd
separated from the system but were not yet collecting
benefits. This is a very minor issue. If such a
decrement were applied to these people that actually very
slightly lower the liabilities of that system.

Also, in the Judges' Retirement System, there was
a formatting error, I would call it, with -- that was
present in '12 of the approximately 2,100 participant
records in the system that very slightly affected the
overall results of the valuation, but again not at a level
that was anything close to material.

So our findings are that the actuarial work for
these four systems is being well handled by CalPERS
actuarial staff, and we are pleased to take any questions
that you may have on the matter.

CHAIRPERSON HOLLINGER: Thank you to CalPERS
actuarial staff. Very impressive, and glad it was
validated by the independent audit.

Right now, I don't see any questions. So I'm
going to move on.

Thank you, Mr. Driscoll, so appreciate that.

MR. DRISCOLL: Thank you.

CHAIRPERSON HOLLINGER: I'm going to move on to
the next item, which is again information. Item 6, Ms.
D'Adamo.
Enterprise Compliance.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE

D'ADAMO: Yes. Good afternoon again. This is the -- each year CalPERS compiles an annual compliance report for inclusion in the Comprehensive Annual Financial Report, or CAFR. This year's report highlights activities and accomplishments for the fiscal year ending June 30th, 2017. You have the report in your -- in your materials. And at this time, I would see if anyone had any questions about the materials.

CHAIRPERSON HOLLINGER: Does anyone have any questions?

Okay. Seeing no further questions, then on the item -- the next item, Item 7, Summary of Committee Direction, I think the only thing that I have, and I'll just correlate that with you, is maybe getting back to Mr. Jelincic and Mr. Slaton on the Form 700, the filing, if there's any clause either regarding the filing process on grounds for termination in terms of our contracting.

Is there anything else?

Mr. Slaton.

COMMITTEE MEMBER SLATON: Yeah, I didn't have a specific, you know, deliverable that I wanted.

CHAIRPERSON HOLLINGER: Oh, okay. Got it.

COMMITTEE MEMBER SLATON: It was I was trying to
verify the direction they were headed, which is toward having a tighter process and more documentation in the contract that gives better instruction when they get ready to sign of who's responsible, who has to file.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Who's responsible for providing notice for those individuals.

COMMITTEE MEMBER SLATON: So I'm satisfied with the direction it's going.

CHAIRPERSON HOLLINGER: Okay. Great.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: So then no Committee direction.

CHAIRPERSON HOLLINGER: No Committee direction. And there is a public comment is Judith Painter? She's not here.

Oh, okay. Well, in that case, that ends the Risk and Audit Committee open session. And we'll assume closed session right away, as soon as the appropriate people leave.

(Thereupon the California Public Employees' Retirement System, Board of Administration, Risk & Audit Committee open session meeting adjourned at 3:46 p.m.)
CERTIFICATE OF REPORTER

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

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration, Risk & Audit Committee 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 25th day of September, 2017.

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