

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, NOVEMBER 15, 2017

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JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
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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 Mr. Steve Juarez

Mr. Richard Costigan

Mr. Richard Gillihan, also represented by Mr. Danny Brown

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

Mr. Charles Asubonten, Chief Financial 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. Mary Anne Ashley, Chief, Legislative Affairs Division

Ms. Kara Buchanan, Board Secretary

Ms. Sabrina Hutchins, Chief, Enterprise Strategy and Performance Division

Mr. Anthony Suine, Chief, Benefit Services Division

Mr. Wylie Tollette, Chief Operating Investment Officer

ALSO PRESENT:

Mr. Terry Brennand, Service Employees International Union

Mr. Dan Carrigg, League of California Cities

Mr. Nikhil Damle, Colantuono, Highsmith and Whatley

Mr. Neil Dougherty, City of Chico

Mr. Scott Dowell, City of Chico

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

Mr. Bryan Snow, Corona Police Officers Association

Mr. Scott Steedman, City of Chico

I N D E X

	PAGE
1. Call to Order and Roll Call	1
2. Pledge of Allegiance	3
3. Board President's Report	3
4. Executive Reports	
a. Chief Executive Officer's Report (Oral)	7
5. Consent Items	15
Action Consent Items:	
a. Approval of the September 20, 2017 Board of Administration Meeting Minutes	
b. Board Travel Approvals	
6. Consent Items	16
Information Consent Items:	
a. Board Meeting Calendar	
b. Draft Agenda for the December 20, 2017 Board of Administration Meeting	
c. General Counsel's Report	
d. Communications and Stakeholder Relations	
7. Committee Reports and Actions	
a. Investment Committee (Oral)	16
b. Pension & Health Benefits Committee (Oral)	17
c. Finance & Administration Committee (Oral)	19
d. Performance, Compensation & Talent Management Committee (Oral)	24
e. Risk & Audit Committee (Oral)	24
f. Board Governance Committee (Oral)	26
Action Agenda Items	
8. Proposed Decisions of Administrative Law Judges	26
a. William Grizzell	
b. Dennis Martinez	
c. Reymund Dheming	
d. Nam Luu	
e. Jojo Marin	
f. William Gore	
g. Susan L. Carson	
h. Joseph Cirilo	
i. Carole M. Allen	
j. Gloria A. Lugo	
k. Kemyatta Harris	

I N D E X C O N T I N U E D

	PAGE
l. Justin Z. Hendee	
m. Armando M. Rocha	
n. Joseph Buchanan	
9. Petitions for Reconsideration	27
a. Hossein Sotoodeh-Tehrani	
10. Designation of Precedential Decision - Kareemah Bradford	30
11. Superior Court Remand	32
a. Edith Davenport	
b. Gordon Sonne	
Information Agenda Items	
12. Enterprise Performance Reporting - First Quarter Update	36
13. State and Federal Legislation Update	49
14. Summary of Board Direction	61
15. Public Comment	61
Adjournment	73
Reporter's Certificate	74

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

2 PRESIDENT FECKNER: Good morning. We're going to
3 call the Board of Administration meeting to order. First
4 of all, let me apologize for our late start time. We were
5 still dealing with closed session from the Investment
6 Committee on Monday. So we had to finish that before we
7 could come into this session. So thank you all for your
8 patience.

9 First order of business will be to call the roll,
10 please.

11 BOARD SECRETARY BUCHANAN: Good morning

12 PRESIDENT FECKNER: Morning.

13 BOARD SECRETARY BUCHANAN: Rob Feckner?

14 PRESIDENT FECKNER: Good morning.

15 BOARD SECRETARY BUCHANAN: Henry Jones?

16 VICE PRESIDENT JONES: Here.

17 BOARD SECRETARY BUCHANAN: Michael Bilbrey?

18 BOARD MEMBER BILBREY: Good morning.

19 BOARD SECRETARY BUCHANAN: Steve Juarez for John
20 Chiang?

21 ACTING BOARD MEMBER JUAREZ: Here.

22 BOARD SECRETARY BUCHANAN: Richard Costigan?

23 BOARD MEMBER COSTIGAN: Here.

24 BOARD SECRETARY BUCHANAN: Richard Gillihan?

25 BOARD MEMBER GILLIHAN: Here.

1 BOARD SECRETARY BUCHANAN: Dana Hollinger?

2 BOARD MEMBER HOLLINGER: Here.

3 BOARD SECRETARY BUCHANAN: J.J. Jelincic?

4 BOARD MEMBER JELINCIC: Here.

5 BOARD SECRETARY BUCHANAN: Ron Lind?

6 BOARD MEMBER LIND: Here.

7 BOARD SECRETARY BUCHANAN: Priya Mathur?

8 BOARD MEMBER MATHUR: Here.

9 BOARD SECRETARY BUCHANAN: Hill Slaton?

10 BOARD MEMBER SLATON: Here.

11 BOARD SECRETARY BUCHANAN: Theresa Taylor?

12 BOARD MEMBER TAYLOR: Here.

13 BOARD SECRETARY BUCHANAN: Lynn Paquin for Betty
14 Yee?

15 ACTING BOARD MEMBER PAQUIN: Here.

16 PRESIDENT FECKNER: Thank you.

17 Next order of business will be the Pledge of
18 Allegiance. Today, we're going to change things up a
19 little in honoring our veterans from Veterans Day this
20 last Saturday. Charles Byrd, one of our staff members,
21 who spent 15 years the Army. He's also a member of our
22 Resource Management Team in our IT Division is going to
23 lead us in the pledge today.

24 Now, Charles is a very active with the veterans
25 community. He's also just started a non-profit

1 organization Called Veterans Wellness Foundation, to help
2 homeless veterans get off the street and into permanent
3 housing.

4 So please give our attention to Charles Byrd as
5 he leads us in the pledge.

6 All please rise.

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

9 PRESIDENT FECKNER: Thank you, Charles.
10 Appreciate you joining us this morning.

11 And if the Board members would like to move to
12 the aisles, the chorus is actually going to come up and do
13 a little song for us. So if we could take a moment to
14 move to the sidelines, and enjoy our chorus, please.

15 (Thereupon the choir sang God Bless America.)

16 (Applause.)

17 PRESIDENT FECKNER: That was wonderful. Thank
18 you all for a great rendition. Really appreciate that.

19 So good morning again, everyone. Next Item is
20 the Board President's report.

21 I want to first of all reiterate my comments
22 about Veterans Day. It's certainly something that we take
23 very seriously here At CalPERS. And we realize it's more
24 than just a national holiday. It's time where we're can
25 recognize those who have honored our country, and honor us

1 today that have served in the military, and those that
2 have gone before them, including those that currently
3 serving as -- inn a reserve status. So we thank them all
4 very much.

5 And we certainly appreciate the fact that Charles
6 going us this morning. I wish I could fit into the close
7 that I wore that many year ago. Charles, good for you.

8 Well done.

9 (Laughter.)

10 PRESIDENT FECKNER: But I certainly would like to
11 acknowledge all the veterans that are with us today. So
12 if there are veterans in the audience, would you please
13 rise.

14 (Applause.)

15 PRESIDENT FECKNER: We all thank you very much
16 for your service to our country.

17 Also, this year, we just got done hosting our
18 annual Educational Forum down in Rancho Mirage. I know
19 Marcie has more to say on this in her report, but I want
20 to thank the Board members that were able to attend this
21 year. I think it was one of our better -- we seem to
22 keep -- seeming to keep getting better each year.

23 So thank you for all of those that were involved,
24 the staff behind the scenes that did all the work to get
25 us there, and the great presentation that we had. It was

1 a great time to be able to share ideas and concepts with
2 our stakeholders, as well as our employer groups. So it
3 was wonderful time to be able to share together.

4 Yesterday, we held our annual stakeholder
5 breakfast. I'd like to thank all those stakeholders that
6 joined us yesterday. We had a very nice room. It was
7 great to be able to just mix and mingle, instead of being
8 in a business setting where you're coming up and
9 testifying, et cetera, but being able to just sit together
10 and talk, and share concerns and ideas, because again
11 we're all in this for the same purpose, for betterment of
12 the members of this system.

13 So we thank you for being here both the actives
14 and the retirees for joining us and being part of that
15 program yesterday. We may not always agree on everything,
16 but it's good to be able to -- we can sit and build a
17 relationship and have discussions, because we learn from
18 one another. Agreeing on the same topic is never the way
19 to learn. So it's great that we have some of these
20 challenges that we can work through.

21 And lastly, I was asked to speak a little bit
22 about comments that I made at the Employers Forum. Those
23 of you that don't know, I actually live in Napa, and we
24 went through this firestorm here just, well, about a month
25 ago now. I was actually evacuated for nine days from my

1 home. And we heard a lot of comments during that time,
2 see a lot of signs about first responders, and thank you
3 to the first responders.

4 I just want to point out, as I did at the
5 Employer Forum that, to me, I saw during that period of
6 time that first responders aren't just police and fire.
7 It is all public servants. I saw folks that were normally
8 staff members, and support staff, that were secretaries,
9 there were all kinds of folks out there doing things that
10 they don't normally do to free up the ability for others
11 to go out and do other tasks.

12 So I want to thank everybody out there that
13 represents public servants, and especially those public
14 servants that we serve every day. We thank you for the
15 job that you've done. It certainly was a trying time for
16 all, both in Sonoma and Napa counties.

17 But I will say, and as an infomercial at the end,
18 if you want a nice place to go and visit right now,
19 there's not a lot of people in Napa, so you're not going
20 to have a lot of crowds. It's a great time to go and
21 visit and explore the area, and the businesses really do
22 need your help. They're struggling and have been
23 struggling every since the fires, because people obviously
24 canceled their reservations, stopped coming into town, and
25 that's had an impact on the economy.

1 So I certainly hope those of you that have
2 thought about it too make a trip.

3 With that, I will now move on to Agenda Item
4 number 4, the Executive Report, Chief Executive Officer's
5 Report, Ms. Frost.

6 CHIEF EXECUTIVE OFFICER FROST: Thank you. Good
7 morning, Mr. President and members of the Board. I'd like
8 to echo Rob's appreciation for our Veterans and express
9 how thankful we are for their service. This morning, I'd
10 like to share some key takeaways from our 2018 Educational
11 Forum, give you some updates about the agenda for this
12 month's meeting that we're concluding today, and also tell
13 you about some recent activity here on our campus, as well
14 as out in the community.

15 So starting with the Ed Forum, again, let me also
16 start by thanking all of you who were able to attend the
17 event. I think it was a valuable opportunity for us to be
18 able to listen directly to our employers, as well as
19 interact with many of the people who are working for the
20 employers on CalPERS benefits.

21 We had nearly 775 attendees, representing 406
22 different employers, and I think all of whom are concerned
23 about commitments that they have made to their employees
24 and the subsequent contributions that are associated with
25 those benefits. And I know that many of you had

1 opportunities to interact directly with the employers and
2 have some valuable insight that came from those
3 discussions.

4 At the end of my update, we'll share a
5 retrospective video again at the close of my remarks so
6 you can hear directly from the employers how valuable they
7 thought the Education Forum was this year.

8 And it does represent a great deal of work, and
9 collaboration on the part of the teams here at CalPERS.
10 And so I'd like to take an opportunity to thank them for a
11 job well done.

12 Next year's educational forum will take place in
13 Indian Wells on October 22nd through the 24th. And I'm
14 confident it will be another successful event.

15 Excuse me.

16 On to some investment decisions. This was a very
17 important month for the future of the fund. And on
18 Monday, you evaluated four candidate portfolios and
19 recommendations from the investment team to help us
20 achieve the returns that we need to pay BENEFITS for the
21 long term. This will lead to a discussion next month, or
22 excuse me, a decision next month about the final choice on
23 the asset allocation mix. And this mix would be in place
24 for the next four years, as well as the decision around
25 the discount rate.

1 Now, the subject of the discount rate drew some
2 passionate feedback from our stakeholders, which I think
3 was expected. And we understand the concerns they have
4 for their ability to pay their contributions, and we
5 appreciate the opportunity to hear from them directly.

6 I also expect that we'll have more passionate
7 discussions in the future, as we continue to work with our
8 employers and stakeholder groups on solutions to sustain
9 the fund. And I know I encouraged the dialogue, and I
10 know the Board does as well.

11 This is a transparent process that benefits from
12 open discussion, so that our members and our stakeholders
13 can understand the full scope of the issues we face.

14 We also have heard some comments, and I think
15 again on Monday, heard a comment about divestment. And so
16 I'd like to reiterate our beliefs about divestment
17 briefly, because it is important to continually state our
18 position on this item.

19 We are firm in our belief that our best strategy
20 begins with engagement. And that gives us a seat at the
21 table so our views can be heard. And we can use that
22 voice -- or our voice to influence change and invite other
23 shareholders and stakeholders to engage with us.

24 I think CalPERS has had considerable success in
25 its engagement efforts. And we'll continue to use our

1 voice to effect the changes that we believe are necessary.

2 This is a point I was asked to make at Principles
3 for a Responsible Investment meeting in Seattle that Mr.
4 Lind invited me to participate in. And I was able to be
5 on a roundtable, or on a discussion group, along with
6 Former Mayor McGinn from Seattle and fiduciary attorney
7 Bill Sokol.

8 And what we thought would be a thoughtful debate
9 between the benefits of engagement and the benefits of
10 divestment actually turned into more of an agreement
11 around the engagement principles used here at CalPERS, and
12 the fact that our scale matters, and it makes our voice
13 very important.

14 So let me move on now to some proposed
15 legislation. This week you received recommendations from
16 our team for Board-sponsored legislation. And the
17 proposals you reviewed continue the theme of reducing
18 cost, complexity and risk. And you were also presented
19 with the fiscal year financial statements that are part of
20 the work that we're doing for our comprehensive annual
21 financial report, also known as the CAFR, which will be
22 released next month.

23 So changing gears, we do have some preliminary
24 data back from our employee engagement survey that we did
25 this fall. And overall I'm pleased to report that the

1 feedback is positive. We're just beginning to analyze and
2 evaluate the information, but I can tell you that we
3 already have learned some things that we're doing well,
4 and they fit primarily into three categories:

5 Organizational culture, diversity and inclusion, and
6 learning and development opportunities for our team.

7 And we also know we have some things to work on,
8 such as accountability. And what's very important is that
9 this survey is an indicator of where we need to focus, but
10 we do need to follow up with some additional focus groups,
11 to identify where the problems really are, so that as
12 we're focusing on solutions. It's dealing with the
13 problem that people believe that we have. So we will
14 follow-up appropriately over the next couple of months to
15 do that with our teams.

16 But the good news is outcome-oriented questions
17 featured in the survey will -- will enable us to focus our
18 efforts appropriately. And specifically, on the needed
19 improvements. So I do look forward to sharing those
20 results with you in the coming months.

21 Now, I'd like to turn your attention to our
22 outreach activities with stakeholder groups and
23 associations that we're affiliated with.

24 Last month, I was able to attend the Board
25 meeting of the California State Retirees, which included

1 chapter representatives from around the State. I updated
2 them on our efforts to strengthen the fund and spent some
3 time talking about health benefits. And specifically,
4 some of the member issues that were related to the
5 transition of the pharmacy benefits manager, OptumRx.

6 I did enjoy the opportunity to hear from them,
7 and also to be able to address a number of questions that
8 came up. And I found that a variable -- a valuable use of
9 my time.

10 In addition, I had the pleasure of welcoming the
11 a Association of Public Pension Fund Auditors to
12 Sacramento. They were having their event a couple weeks
13 ago. And several members of our team also presented over
14 the three-day event. And we were joined by our
15 counterparts over at CalSTRS in welcoming the group to
16 California.

17 And then at the end of this month, I'll also be
18 visiting with California State Association of Counties
19 during their 123rd annual meeting. And I've been asked to
20 participate on a Panel of State leaders reflect on the
21 importance of innovation and partnership.

22 Moving onto the Our Promise campaign, and some of
23 our internal activities. As we head into the holiday
24 season, I'm happy to share some results of our charitable
25 giving efforts. Throughout the month of October, we were

1 able to participate in the statewide Our Promise Campaign,
2 designed to raise awareness about charitable organizations
3 that qualify for employee payroll deductions.

4 Each week our volunteers here within CalPERS put
5 and provided information to our team to encourage
6 employees to give what they could. And really, it should
7 come as no surprise to you that CalPERS employees are very
8 generous. They came together for a one-day fundraising
9 event on Halloween, that resulted in over \$2,000 in
10 donations to Our Promise.

11 And meanwhile, we kicked off our participation in
12 the California State Employees Food Drive with a new
13 pumpkins and potatoes drive to support our local food
14 banks earlier this month.

15 That resulted in CalPERS employees donating just
16 over 2000 pounds of food.

17 In the past years, CalPERS has placed among the
18 top stop -- stop State agencies that have collected the
19 most. And last year, we did collect over 50,000 pounds of
20 food. Excuse me.

21 And then tomorrow, if you're in Sacramento, I
22 encourage you to also participate in 5th annual turkey
23 drop. Although you can also drop off hams if those are
24 more convenient, in which employees will donate frozen
25 turkeys and hams throughout the day for the Sacramento

1 Food Bank, to place into Holiday food baskets for needy
2 families.

3 And then investment performance year to date.

4 Let me give you the update of the Public Employees'
5 Retirement Fund as of August 31st, of 2017. In our first
6 quarter since the new fiscal year, we can report that the
7 total fund performance is 2.7 percent, the three-year
8 return of the fund is 5.2, the five-year return is 8.9,
9 the 10-year return of the total fund is 4.7, and the
10 20-year return is 6.7.

11 All asset classes are within their ranges, and
12 the total fund assets are valued at \$332.4dollars. As of
13 August 31st.

14 With that, I'd like to end my report this morning
15 by sharing the video retrospective of the Educational
16 Forum last month. I think it provides a nice opportunity
17 again to hear directly from those employers who
18 participated directly in the forum.

19 So with that, if we could role the tape, please.

20 (Thereupon a video was played.)

21 CHIEF EXECUTIVE OFFICER FROST: Okay. So I think
22 this video reinforces the importance of this event to our
23 employers. And I know our team enjoys the opportunity to
24 interact with our partners as well.

25 So once again, kudos to the team for a job well

1 done in organizing the event. And then finally, I'd like
2 to conclude this morning by wishing everyone a very Happy
3 Thanksgiving, or Friendsgiving, however you choose to
4 celebrate.

5 Thank you.

6 PRESIDENT FECKNER: Thank yo.

7 That brings us to Agenda Item 5, consent
8 calendar. What's the pleasure of the Board?

9 BOARD MEMBER BILBREY: I'll move approval

10 BOARD MEMBER MATHUR: Second.

11 PRESIDENT FECKNER: Moved by Bilbrey, seconded by
12 Mathur.

13 All in favor --

14 BOARD MEMBER JELINCIC: Can you split the item?

15 PRESIDENT FECKNER: Can you split the item

16 Yes, we'll split the item. We'll take Item A
17 first. All in favor Item A, the minutes, please say aye?

18 (Ayes.)

19 PRESIDENT FECKNER: Oppose, no?

20 Motion carries.

21 Item B, Board Travel. All in favor say aye?

22 (Ayes.)

23 PRESIDENT FECKNER: Opposed no?

24 (No.)

25 PRESIDENT FECKNER: Motion carries.

1 Please record Mr. Jelincic as voting no.

2 Items 6, the consent items.

3 Being no request to remove anything, we'll move
4 on to Item 7, the Committee Reports. The Investment
5 Committee is Item 7a. For that, I call on the Chair, Mr.
6 Jones.

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

8 The Investment Committee met on November 13th,
9 2017. The Committee discussed and approved the second
10 reading of the public asset classes investment policies.

11 The Committee received reports on the following
12 topics:

13 The private equity and real assets annual program
14 reviews, and consultant reviews of the Private Equity and
15 Real Assets Program. The Chair directed staff to do the
16 following: Provide a memo detailing the calculations
17 behind the arithmetic and geometric average returns;
18 inquire whether CenterPoint made any political
19 contributions.

20 The Committee directed Meketa Investment Group to
21 do the following:

22 To work with staff to provide additional
23 background on why CalPERS did not receive requested
24 private equity allocations, as well as an evaluation of
25 the current strategy of focusing new private equity

1 commitments with the top 30 general partners.

2 The Committee heard public comment on the
3 following:

4 The returns and the risk of private equity
5 investments, support for growing the Private Equity
6 Program, feedback regarding the divestment mandates, and
7 changes to the private equity benchmark.

8 At this time, I would like to share some
9 highlights of what to expect at the December Investment
10 Committee meeting; a report to the California legislature
11 on the CalPERS Emerging Manager five-year plan; the
12 Responsible Contractor Program annual report; strategic
13 allocation; an update on the Investment Office Roadmap and
14 target operating modeling; and a report from the Wilshire
15 Associates consulting on the impact of current
16 investments.

17 He next meeting of the Investment Committee is
18 scheduled for December 18, 2017 in Sacramento, California,
19 and that concludes my report, Mr. President.

20 PRESIDENT FECKNER: Thank you, Mr. Jones.

21 Next item 7b, Pension and Health Benefits
22 Committee. For that, I call on the chair, Ms. Mathur.

23 BOARD MEMBER MATHUR: Thank you.

24 The Pension and Health Benefits Committee met
25 yesterday, November 14th, 2017.

1 The Committee recommends and I move the Board
2 approve on Agenda 5, to sponsor legislation to make
3 technical changes to sections of the Government Code
4 effecting the benefit programs administered by the
5 California Public Employees Retirement System as detailed
6 in the agenda item.

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: Opposed, say no?

13 Motion carries.

14 BOARD MEMBER MATHUR: The Committee also received
15 a presentation regarding the Pension and Health Benefits
16 committee risk profiles; the opioid epidemic in
17 California, which was really enlightening presentation;
18 and OptumRx's customer service.

19 The chair directed staff to explore measures and
20 strategies to reduce opioid overuse and manage opioid
21 addiction, and to bring back an OptumRx medication
22 continuation metric.

23 Some high lights of what to expect in December
24 are a our review of the proposed allege regulations for
25 the definition of full-time employment, and the final

1 proposed amended regulations for the normal retirement
2 age.

3 The Committee will receive information on
4 contracting agency health plan region, prescription drug
5 trends, CalPERS PPO plan benefits, and the Castlight
6 member search tool.

7 The next meeting of the PHBC is scheduled for
8 December 19th, 2017 in Sacramento, California.

9 That concludes my report, Mr. President.

10 PRESIDENT FECKNER: Thank you, Ms. Mathur.

11 Item 7c, Finance and Administration Committee.

12 For that I call on the Chair, Mr. Costigan.

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

14 The Finance and Administration Committee met on
15 November 14th, 2017. The Committee recommends and I move
16 the Board approve the following:

17 Agenda Item 5a, which is to approve the draft
18 CalPERS 2016-17 basic financial statements.

19 PRESIDENT FECKNER: On motion by Committee.

20 Any 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 COSTIGAN: Agenda Item 5b, which
2 would be to approve the first reading of the CalPERS
3 fiscal year 2017-18 mid-year budget totaling
4 \$1,675,851,000 and 2,875 positions.

5 PRESIDENT FECKNER: On motion by Committee.

6 Any discussion on the motion?

7 Seeing none.

8 All in favor say aye?

9 (Ayes.)

10 PRESIDENT FECKNER: Opposed, say no?

11 Motion carries.

12 BOARD MEMBER COSTIGAN: Agenda Item 6a, to
13 approve the proposed regulation establishing criteria to
14 define an increase in actuarial liability due to increased
15 compensation paid to a non-represented employee as
16 specified in Government Code Section 20791.

17 PRESIDENT FECKNER: On motion by Committee.

18 Any discussion on the motion?

19 Seeing none.

20 All in favor say aye?

21 (Ayes.)

22 PRESIDENT FECKNER: Opposed say no?

23 Motion carries.

24 BOARD MEMBER COSTIGAN: Agenda Item 7a is to
25 approve sponsored legislation to make policy and technical

1 changes to Sections of the Government Code affecting the
2 benefit program administered by CalPERS that would, one,
3 shorten the time frame in which a contracting agency can
4 voluntarily terminate its participation in CalPERS, and
5 require a terminating agency to notify past and present
6 employees of its intention to terminate; to add a Chief
7 Operating Officer and a Chief Health Director to the list
8 of employees for which the Board has authority to set
9 compensation, conditions of employment, and performance
10 standards; to allow CalPERS to collect any overpayment
11 made to or on behalf of any member, former member, or
12 beneficiary from any future CalPERS benefit payment that
13 may be payable; and limit the categories of direct
14 authorizations that retirees and beneficiaries may request
15 CalPERS to deduct from their allowance and pay on their
16 behalf.

17 PRESIDENT FECKNER: Thank you.

18 There's been a request to take out the second
19 bullet and vote on that separately. So the motion will be
20 the bullets 1, 3, and 4. Any discussion on the motion by
21 the Committee? Any discussion on that motion?

22 Seeing none, all in favor say aye?

23 (Ayes.)

24 PRESIDENT FECKNER: Opposed, no?

25 Motion carries.

1 On the second bullet alone.

2 Any discussion on the motion?

3 Mr. Jelincic

4 BOARD MEMBER JELINCIC: Yeah. I believe that we
5 really do need to deal with the issue of the Chief Health
6 Director, and I'm supportive of that part of the motion.
7 I do not believe the case was made for the Chief Operating
8 Officer, and so I'm going to oppose the motion. But I
9 want to make it clear that I think that the Chief Health
10 Director is really something that we need to do.

11 PRESIDENT FECKNER: Thank you.

12 Any further discussion on the motion?

13 Seeing none. All in favor say aye?

14 (Ayes.)

15 PRESIDENT FECKNER: Oppose, no?

16 (No.)

17 PRESIDENT FECKNER: Motion carries.

18 BOARD MEMBER GILLIHAN: Mr. President, would you
19 record me as abstaining.

20 PRESIDENT FECKNER: Please record Mr. Jelincic as
21 voting no, and Mr. Gillihan as abstaining.

22 BOARD MEMBER COSTIGAN: The Committee received
23 reports on the following topics:

24 The actuarial assumptions based on the draft
25 experience study, the first reading of the Amortization

1 Policy, the annual update on the financial reporting for
2 the HMO and PPO plans as well as, the review of the
3 Finance and Administration risk profiles.

4 The chair directed staff to bring back the total
5 benefit reductions for the Niland Sanitation District and
6 Trinity County Waterworks District One in December; an
7 updated mid-year budget, second reading, to work with the
8 Department of Finance regarding their concerns of the
9 Contingency Reserve Fund and the health care finance
10 expenditures, and in addition to work with the State
11 Controller's office on the check writing cost, an analysis
12 on the removal of the Replacement Benefit Fund.

13 Also, in February, to present the second reading
14 with options on the Amortization Policy with real numbers
15 and examples, after conducting a workshop and surveying
16 stakeholders; and refine the language and options for the
17 proposed legislative changes on cancellation of
18 installment payments upon retirement.

19 In addition, the Chair directed staff to share
20 with the retiree organizations the current direct
21 authorization vendor population and types of deductions
22 that currently exist.

23 The Committee heard public comment on the
24 following topics: The State legislative proposal for
25 policy and technical amendments to the Public

1 Employment -- Employees' Retirement Law; the first reading
2 of the Amortization Policy, and from the Local Government
3 Services Authority pension contract with CalPERS.

4 At this time, I'd like to share some highlights
5 of what to expect at the December Finance and
6 Administration Committee meeting. We will take up the
7 second reading of the 2017-18 mid-year budget revision,
8 the experience study, and the quarterly reporting on
9 participating employers.

10 The next meeting of the Finance and
11 Administration Committee is scheduled for December 19th,
12 2017 in Sacramento.

13 Thank you, Mr. President that's my report.

14 PRESIDENT FECKNER: Thank you, Mr. Costigan.
15 Item 7d, Performance, Compensation and Talent Management
16 Committee. There was no meeting, no report.

17 PRESIDENT FECKNER: Item 7e Risk and Committee.
18 For that I call upon the Chair, Ms. Hollinger.

19 BOARD MEMBER HOLLINGER: Thank you, Mr.
20 President.

21 The Risk and Audit Committee met on November
22 14th, 2017. The Committee recommends and I move the Board
23 approve the following.

24 Agenda Item 5a, approve the independent auditor's
25 report for fiscal year 2016-2017.

1 PRESIDENT FECKNER: On motion by Committee.

2 Any discussion on the motion?

3 Seeing none.

4 All in favor say aye?

5 (Ayes.)

6 PRESIDENT FECKNER: All opposed say no?

7 Motion carries.

8 BOARD MEMBER HOLLINGER: Agenda Item 5b, approve
9 the independent auditor's management letter.

10 PRESIDENT FECKNER: On motion by Committee.

11 Any discussion on the motion?

12 Seeing none.

13 All in favor say aye?

14 (Ayes.)

15 PRESIDENT FECKNER: Opposed say no.

16 Motion carries.

17 BOARD MEMBER HOLLINGER: The Committee received
18 reports on the following topics: Enterprise Risk
19 Management Framework Review.

20 At this time, I would like to share some
21 highlight of what to expect at the February Risk and Audit
22 Committee meeting.

23 The election of the Risk and Audit Committee
24 Chair and Vice Chair, a review of the Risk and Audit
25 Committee delegation, and 2017-2018 mid-year plan updates

1 for Enterprise Risk Management and Enterprise Compliance.

2 The next meeting of the Risk and Audit Committee
3 is scheduled for February 13th, 2018 in Sacramento,
4 California.

5 PRESIDENT FECKNER: Thank you, Ms. Hollinger.

6 Item 7f, Board Governance Committee. There was
7 no meeting, no report.

8 That brings us to Item 8, Proposed decisions of
9 Administrative Law Judges. Is Mr. Shah on the line?

10 Thank you. I just want everyone to know that
11 Chirag Shah, the Board's independent counsel for
12 administrative decisions is on the line.

13 Good morning, Mr. Shah?

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

16 PRESIDENT FECKNER: So if the members have any
17 questions, Mr. Shah is there to answer them for us.

18 With that, I'll turn to Mr. Jones.

19 VICE PRESIDENT JONES: Yeah. Thank you, Mr.
20 President. I move to adopt the proposed decisions at a
21 Agenda Items 8a through 8n as the Board's own decision
22 with the minor modifications argued by staff to agenda
23 Items 8c and 8d.

24 PRESIDENT FECKNER: Thank you.

25 Any discussion on the motion.

1 Is there a second?

2 BOARD MEMBER COSTIGAN: Second.

3 PRESIDENT FECKNER: It's been seconded by
4 Costigan.

5 Discussion on the motion. Mr. Jelincic.

6 BOARD MEMBER JELINCIC: Hi. We received a late
7 supplement to 8j. Mr. Shah, did you see that and --

8 MR. SHAH: Yes, sir, I did.

9 BOARD MEMBER JELINCIC: And does it change your
10 conclusion at all?

11 MR. SHAH: No. No, it does not.

12 BOARD MEMBER JELINCIC: Okay. And then I have
13 some questions, but not to the specifics.

14 PRESIDENT FECKNER: Okay. A motion being before
15 us. All in favor say aye?

16 (Ayes.)

17 PRESIDENT FECKNER: Opposed say no?

18 Motion carries. Thank you.

19 That brings us to Agenda Item 9, Mr. Jones.

20 VICE PRESIDENT JONES: Thank yo. I move to deny
21 the petition for reconsideration at Agenda Item 9a.

22 PRESIDENT FECKNER: Is there a second?

23 BOARD MEMBER COSTIGAN: Second.

24 PRESIDENT FECKNER: It's been moved by Jones,
25 seconded by Costigan. Any discussion on the motion?

1 Seeing none. All in favor say aye?

2 (Ayes.)

3 PRESIDENT FECKNER: Opposed, no?

4 Motion carries.

5 Item 10.

6 BOARD MEMBER JELINCIC: I had a question back on
7 9.

8 PRESIDENT FECKNER: Just a second. Mr. Jelincic
9 on 9, please.

10 BOARD MEMBER JELINCIC: Which is the
11 administrative law decisions.

12 In January, we directed that Edelma Campos be
13 scheduled for a full Board hearing. Is that coming back,
14 and if so when?

15 PRESIDENT FECKNER: Mr. Jacobs, please.

16 GENERAL COUNSEL JACOBS: I don't recall that
17 precise name, but I think there was one other matter
18 besides the Bradford matter that the Board had asked to
19 come back for a determination, whether to make it
20 residential. So that's probably the one.

21 BOARD MEMBER JELINCIC: No, this was set for a
22 full Board hearing.

23 GENERAL COUNSEL JACOBS: Oh, I'm sorry. Let me
24 check into that.

25 BOARD MEMBER JELINCIC: Okay. Thank you.

1 MR. SHAH: Mr. President, if I may?

2 PRESIDENT FECKNER: Yes, Mr. Shah.

3 MR. SHAH: Just to answer to Mr. Jelincic's
4 question. I just happen to have that in front of me, and
5 my understanding is that the case was actually settled by
6 staff and the member.

7 BOARD MEMBER JELINCIC: So we --

8 MR. SHAH: That's the reason why it was not
9 brought back for a full Board hearing.

10 PRESIDENT FECKNER: Correct. So if you didn't
11 hear him, what Mr. Shah said is the case was settled
12 between staff and the member, that's why it didn't come
13 back for a full Board hearing, correct, Mr. Shah?

14 MR. SHAH: That's correct, Mr. President.

15 PRESIDENT FECKNER: Thank you.

16 BOARD MEMBER JELINCIC: I suspect if staff is
17 going to settle something we've set for a full Board
18 hearing, they ought to at least report.

19 PRESIDENT FECKNER: I'm sure that we will get a
20 report posthaste. Thank you.

21 BOARD MEMBER JELINCIC: One other question. On
22 these clearly one of the key issues is the administrative
23 law judge or the -- not the ALJ, although that's a key
24 issue, the IMEs. And my question is to staff, how do we
25 pick IMEs and what standards do we have.

1 PRESIDENT FECKNER: Mr. Suine.

2 BENEFIT SERVICES DIVISION CHIEF SUINE: Good
3 morning, Mr. President, members of the Board. Anthony
4 Suine, CalPERS team.

5 Mr. Jelincic, our -- we have a IME pool of
6 independent medical examiners. Some are through vendor
7 pools and others are individual. And we utilize the
8 specialist, whatever the injury might be, and then also
9 their location of the member and how close they are. So
10 we use those functions to randomly select those IMEs to
11 treat our patients -- or sorry, our members.

12 BOARD MEMBER JELINCIC: And how do we staff the
13 pools?

14 BENEFIT SERVICES DIVISION CHIEF SUINE: Through
15 the -- either the doctor can contract directly with us for
16 that as an independent medical examiner, or through our
17 vendor relationships they have doctors through -- that get
18 added to their vendor pool, and then we work through the
19 vendor to find those doctors.

20 BOARD MEMBER JELINCIC: And then we randomly
21 select from that pool

22 BENEFIT SERVICES DIVISION CHIEF SUINE: Correct.

23 BOARD MEMBER JELINCIC: Thank you.

24 PRESIDENT FECKNER: All right. Ending item
25 number 9, moving on to Item number 10, Designation of

1 Precedential Decision. Mr. Jones.

2 VICE PRESIDENT JONES: Yeah. Thank you, Mr.
3 President. I move to designate the Kareemah Bradford
4 decision at Agenda Item 10a as a precedential Board
5 decision, effective immediately.

6 PRESIDENT FECKNER: Is there a second?

7 BOARD MEMBER COSTIGAN: Second.

8 PRESIDENT FECKNER: It's been moved by Jones,
9 seconded by Costigan.

10 All right. And we have two requests to speak
11 from the audience. I'm going to call on them before we
12 vote. I have Nikhil Damle and Terry Brennand, please come
13 forward.

14 MR. BRENNAND: Good morning, Mr. President, Board
15 members. Terry Brennand on behalf of SEIU California,
16 speaking in support of the motion.

17 Shortly after we found this disagreement about
18 how to deal with language related to the airtime a in
19 PEPRRA, we passed a bill last year, AB 2028, that resolves
20 this going forward for all employees after January 2017.
21 This -- making this ruling precedential would take care of
22 all those in the queue that haven't been dealt with yet,
23 and deal with them in exactly the same manner as current
24 law for all employees, and in the same manner you ruled
25 in -- or upheld the ALJ in this case. So thank you very

1 much.

2 PRESIDENT FECKNER: Thank you.

3 MR. DAMLE: Good morning, members of the Board,
4 Board President. My name is Nikhil Damle. I'm an
5 attorney Colantuono, Highsmith and Whatley, representing
6 the City of Barstow in matter of Ramone Warren, 2016-0985.
7 We'd -- again, I'd speak in favor of the motion being --
8 on the Bradford decision being precedential adopted. This
9 case that we're handling is also very analogous to the
10 situation. And so we'd just add our voice to the SEIU,
11 and it being adopted as precedential.

12 Thank you.

13 PRESIDENT FECKNER: Very good. Thank you, both.
14 Any requests to discussion on the motion before us?

15 Seeing none.

16 All in favor say aye?

17 (Ayes.)

18 PRESIDENT FECKNER: Opposed, say no?

19 Motion carries. Thank you.

20 Agenda Item 11, Superior Court Remand.

21 Mr. Jones.

22 VICE PRESIDENT JONES: Thank you, Mr. President.
23 I move to set aside our final decisions in the appeals of
24 Edith Davenport and Gordon Sonne and remand the two cases,
25 at Agenda Item 11a and 11b back Office of Administrative

1 Hearings in accordance with the superior court order
2 applicable to each case, and only on the limited issue or
3 issues specific therein as recommended by staff.

4 BOARD MEMBER MATHUR: Second.

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

7 Any discussion on the motion?

8 Mr. Jelincic.

9 BOARD MEMBER JELINCIC: On the second one, the
10 Gordon Sonne, have we received a final court order,
11 because it's not in the briefing books?

12 GENERAL COUNSEL JACOBS: As of this morning, we
13 have not. We did check just this morning. Apparently,
14 the judge sets aside particular time for signing orders
15 that have been proposed and are in front him. And that
16 time has not passed. I guess it's not until the end of the
17 month, so...

18 BOARD MEMBER JELINCIC: Then I would like to
19 suggest that we not act on B until we get a court order.

20 PRESIDENT FECKNER: Would you like to make --
21 would like to make an addendum to the motion?

22 BOARD MEMBER JELINCIC: I'll make that as an
23 amendment to the motion.

24 PRESIDENT FECKNER: All right. Please restate
25 your amendment.

1 BOARD MEMBER JELINCIC: That we defer 11b until
2 we get a court order, a final court order.

3 PRESIDENT FECKNER: All right. Thank you.
4 Is there a second?

5 COMMITTEE MEMBER COSTIGAN: I'll second it.

6 PRESIDENT FECKNER: Second by Mr. Costigan.

7 GENERAL COUNSEL JACOBS: Can I speak to that?

8 PRESIDENT FECKNER: Mr. Jacobs.

9 GENERAL COUNSEL JACOBS: Yes, I'd like to make a
10 suggestion, which is that rather than doing that, since
11 it's really fait accompli, that we are going to get the
12 order, that the Board make its order as proposed by Mr.
13 Jones conditional on our receipt of the final order from
14 the court, so that we don't need to bring this back to
15 you, and that we are in compliance with the court order.
16 I forget what the exact timing is on the court order, but
17 I believe it said that we needed to do this within a
18 certain period that would then lapse if we waited until
19 December.

20 PRESIDENT FECKNER: All right. Mr. Costigan.

21 BOARD MEMBER COSTIGAN: As the seconder, I would
22 accept what Mr. Jacobs is saying. Where I agree with Mr.
23 Jelincic is we're setting aside an order -- a decision of
24 this Board with no documentation in front of us. So I
25 don't if you'd want -- I don't know if Mr. Jelincic would

1 want to --

2 BOARD MEMBER JELINCIC: Yeah. I'm comfortable
3 with amending it, so that it's not effective until we
4 actually get a court order.

5 BOARD MEMBER COSTIGAN: Yeah.

6 PRESIDENT FECKNER: Okay.

7 VICE PRESIDENT JONES: So we would just add
8 conditional on receiving of court order.

9 BOARD MEMBER JELINCIC: A final court order.

10 PRESIDENT FECKNER: Is that okay with you, Mr.
11 Jacobs?

12 GENERAL COUNSEL JACOBS: Yes, it is. Thank you.

13 PRESIDENT FECKNER: All right. Is it okay with
14 the maker of the amendment?

15 BOARD MEMBER JELINCIC: Yes.

16 PRESIDENT FECKNER: With the Seconder?

17 BOARD MEMBER COSTIGAN: Yes.

18 PRESIDENT FECKNER: Thank you.

19 All right. The motion now being clear and in
20 front of us.

21 All in favor -- seeing no other discussion.

22 All in favor say aye?

23 (Ayes.)

24 PRESIDENT FECKNER: Opposed, no?

25 Motion carries.

1 That ends that agenda item. Mr. Shah, thank you
2 for your time this morning.

3 MR. SHAH: Thank you, sir. Have a Happy
4 Thanksgiving.

5 PRESIDENT FECKNER: That move us to Agenda Item
6 12, Enterprise Performance Reporting.

7 Ms. Frost, et al.

8 (Laughter.)

9 CHIEF EXECUTIVE OFFICER FROST: There's a group
10 coming up.

11 (Thereupon an overhead presentation was
12 presented as follows.)

13 CHIEF EXECUTIVE OFFICER FROST: Thank you, Mr.
14 President. Marcie Frost, CalPERS team.

15 This is your first quarterly report of the
16 Enterprise Performance Reporting System that you all saw
17 last July in our off-site. And I won't go into much
18 introductory remarks, because the team is going to keep
19 this at a pretty high level focused on the strategic plan
20 initiatives, and where the performance is off the -- off
21 target.

22 So I think they're in alignment with how they're
23 going to start. And we're going to start with Sabrina at
24 the end of the line. So let's -- I'll go ahead and turn
25 it over her.

1 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

2 HUTCHINS: Very good. Thank you, Marcie.

3 Good morning, Mr. President and members of the
4 Board. Sabrina Hutchins, CalPERS team member. I am
5 joined by several of our executive team to provide you
6 with our first quarter update on our enterprise
7 performance report.

8 You may recall from the July offsite, we had a
9 healthy discussion regarding all three components of this
10 system, which include our strategic measures, our business
11 plan initiatives, and our key performance indicators at
12 the operational level.

13 What we want to share with you today is focused
14 on those components that are either at risk or off target,
15 and we also want to review in more detail some measures
16 from our health area as we did receive significant
17 feedback from you in July, so we want to share our new
18 recommendations, get your feedback, and as we continue to
19 move forward build that in.

20 --o0o--

21 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

22 HUTCHINS: So this framework -- the system that this
23 framework works within aligns back to our foundation,
24 which is our mission, our vision, and our values. And in
25 the simplest terms represents who we are and what we want

1 to achieve. This includes our strategic plan goals and
2 objectives, and our outcome measures, which outline our
3 high level operational expectations.

4 --o0o--

5 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
6 HUTCHINS: Depicted in this slide is a high level visual
7 of our performance management system, which involves the
8 development, implementation, monitoring, and reporting, as
9 well as ad hoc refinements of our performance metrics in
10 support of our mission. The intent of this system is to
11 reinforce CalPERS desire to be transparent and accountable
12 in support of our goals, measures, and expectations.

13 The focus of our discussion here today and plans
14 for future reporting will be focused on the strategic side
15 of the house, which encompasses our strategic measures and
16 our business plan initiatives. As we did hear feedback
17 from you in July, this is a lot of information to cover in
18 one session, so we're not going to focus our presentation
19 on the operational side. However, you do have those
20 supporting documents within your full package. And if you
21 have any questions, we're happy to answer those.

22 --o0o--

23 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
24 HUTCHINS: Our strategic plan alignment map shows you the
25 connection between our goals, objectives, measures, and

1 initiatives. And you have a better visual of this in your
2 material, and that is attachment A. This map also
3 reflects an overlay of our status indicators of red,
4 yellow, or green.

5 Additional details for each one of these measures
6 and status indicators are also found within your
7 attachments. And as this is an iterative process, I do
8 want to call out that you do see other indicators
9 reflected here.

10 --o0o--

11 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

12 HUTCHINS: And just to highlight what those mean. If you
13 see pending refresh, this means we do have a baseline
14 established. However, the metric is awaiting a refresh
15 cycle for the data to come in, in order for us to
16 establish a status indicator. If data is not available,
17 the detailed summary sheet within your attachments tells
18 you when it will be available. And if it states it's
19 under development, then we are currently working on
20 validating our methodology and developing these measures.

21 And all those details can be found in your
22 attachments as well. So as members of the executive team
23 speak to the measures and initiatives, they will be
24 providing you what the root cause is of these status
25 indicators, as well as any potential constraints and

1 We agree that reducing the number of prescriptions is
2 important, but we believe that we need to move the needle,
3 and that means that we need address the opioid epidemic,
4 and reduce the number of high dose addictions that are
5 currently in the nation.

6 So therefore, CalPERS has developed two new
7 measures, one on dose, and the other is on duration. For
8 dose, the Center for Disease Control measures average
9 daily morphine milligram equivalents per capita. In 2015,
10 the CDC established a target measure of 640 morphine
11 milligram equivalents. Well, CalPERS has actually
12 established a more aggressive target. And we are
13 proposing to you 608.

14 We'll be working with the plans and expect to
15 have a baseline and start be able to report on this item,
16 no later than April of 2018.

17 --o0o--

18 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: For the
19 second measure duration, it focuses on reducing the amount
20 of days our members are on high-dose opioids. The good
21 news is that starting in 2018, there will be a new HEDIS
22 measure that focuses on exactly this issue. But
23 unfortunately, they will not have metrics for us to
24 develop our baseline and thresholds until 2019.

25 Well, we can't wait. So by April of 2018, the

1 CalPERS health team is researching and will report back to
2 you to develop a comparable HEDIS-like measure that we
3 will be using for our CalPERS members.

4 For mental health, we believe managing mental
5 health and well-being is an important contributor to
6 having a healthy, happy, and productive life. Mental
7 health is a complex topic, and we want to make sure that
8 the measurement that we choose is one that CalPERS can
9 directly influence.

10 So in 2018, we'll be working with providers and
11 plans to identify the right measure for CalPERS. Some of
12 the items that we've been discussing so far is ensuring
13 that CalPERS members have timely access to mental health
14 and well-being services when they need it. Also, working
15 with health plans in a way of incorporating mental into
16 their primary care model, and reducing the public
17 stigmatism associated with mental health diagnosis,
18 because we want members to seek out treatment if they need
19 assistance.

20 So more to come on that one throughout the year.

21 Smart Care California is currently focusing on
22 reducing first-time low-risk C-section births. Since
23 CalPERS percent does not have access to our members'
24 medical records, we actually collect data from an
25 aggregate perspective. We've selected the total number of

1 C-sections as our baseline.

2 So in 2016, 28.8 percent of all deliveries were
3 performed by C-sections. If desired, which we have talked
4 about, this data can be sorted by age and by region. It
5 obviously won't fit on the dashboard, but it's a fairly
6 spreadsheet, so when you want to see that information,
7 we're happy to bring that back to you.

8 Between now and April, we are working with Smart
9 Care because we know this is not a measure they currently
10 have. We do want to establish a total C-section rate. In
11 the meantime, until the national target is establish, we
12 will continue to provide you year-over-year trend analysis
13 on how we continue to reduce that total C-section rate
14 from 28.8 percent with a downward trend.

15 And then hospital readmissions, this is actually
16 a carry-over measure that we believe is still important to
17 focus on. The national HEDIS measure for hospital
18 readmission has been updated. And now they are separating
19 and breaking this into two categories. The categories
20 they're breaking it up into is for PPOs/HMOs for ages 18
21 to 64. And historically, we've brought this data to you
22 as a single number.

23 So we're going to take this data. We're going to
24 break it out based on the new national standard. And by
25 early next year, we will be able to provide that to you

1 and show you how we compare against that national average.

2 So now lastly, I'll report on the health measures
3 with a yellow and/or red status. There are two for the
4 health care affordability goal. One is the rating of our
5 health plans and our providers, and the second is adult
6 obesity. Both are self-reported and collected annually
7 through our member survey.

8 The status of rating our health care plans and
9 providers is currently yellow. From 2015 to '16, member
10 satisfaction with our plans and providers did increase by
11 1.8 -- or 1.6 percent. So it's a total new of 81.9
12 percent, but we have a target of 90 percent. So
13 therefore, we are still in the yellow threshold.

14 But please note as we are a very innovative
15 organization, year-over-year depending on health benefit
16 changes, you know, new contract awards like OptumRx,
17 adding new plans, such as WHA, sometimes you will have a
18 dip in satisfaction before we'll see an increase, so we'll
19 continue to monitor this particular measurement.

20 And then lastly adult obesity. It is in a red
21 status. We are a leader in the health care industry, and
22 so we've decided to strive for the national average of 11
23 percent. Currently, we are 28.3 percent. That means that
24 28.3 percent of our members are reporting that their BMI
25 is higher than the 30 standard. So to move the dial, we

1 are working with our carriers and coalitions to step up
2 where we can at CalPERS influence this measure. Holding
3 carriers accountable for having programs such as healthy
4 living classes, focusing on nutrition, exercise, and
5 lifestyle. And we believe this is how we will continue to
6 effect change in this particular category.

7 This concludes my part of the presentation. I'd
8 now like to turn it over to Charles to talk about the
9 funded status measures.

10 PRESIDENT FECKNER: We have a question first, Ms.
11 Bailey.

12 Mr. Jelincic.

13 BOARD MEMBER JELINCIC: On slide 32, the
14 self-reported overall health.

15 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Yes.

16 BOARD MEMBER JELINCIC: I'm going to suggest that
17 you look at the thresholds again, because we're -- our
18 baseline is 88, our goal is 90, and we -- if we're above
19 85 we're saying we're on target. So we can actually be
20 moving in the wrong direction and continuing to be on
21 target. So I just think maybe those thresholds need to be
22 re-examined.

23 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Thank
24 you, Mr. Jelincic.

25 BOARD MEMBER JELINCIC: And on 20 -- on 30, which

1 is self-diabetes. Again, I think the thresholds need to
2 be looked at again, because we could say we're on target
3 if we're above 60, which is below where we are now, and
4 our goal is to get to 70.

5 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: I'll take
6 both of those back.

7 Thank you.

8 BOARD MEMBER JELINCIC: Thank you.

9 PRESIDENT FECKNER: Thank you.

10 Mr. Asubonten.

11 CHIEF FINANCIAL OFFICER ASUBONTEN: Good morning,
12 Mr. Chairman and Board members. Charles Asubonten,
13 CalPERS team member. I will be -- I'm speaking on the
14 funded status. And this is owned by the CFO in
15 conjunction with the Actuary Office and Investment Office
16 as well. So we will be speaking to together on these
17 items.

18 Coming off of the ALM, as we heard a couple days
19 ago, this item is off-track at the moment, but bear in
20 mind this is a snapshot at a point in time taken at the
21 end of the first quarter. And as we look to -- look to
22 choose different portfolios, and work towards refining our
23 liabilities, we certainly will be working towards to
24 bringing it in line with our expectations.

25 --o0o--

1 CHIEF ACTUARY TERANDO: Thank you, Charles. The
2 second item containing the -- on the fund sustainability
3 is the probability of high employer contribution rates. I
4 think based on the large amount of public comment we heard
5 during the ALM from various employers on their struggles
6 with meeting the contribution rates, you can understand
7 why this measure is in red. The rates are high, I think,
8 across the Board for a number of our agencies. And we
9 recognize this and that's currently why this status is in
10 red.

11 We'll continue to work on outreach with the
12 employers and ways to help assist them in meeting those
13 contributions. And as Charles mentioned, as part of the
14 ALM process, we'll see, based on where we go with the
15 asset allocation, how this impacts those rates going
16 forward.

17 Thank you.

18 PRESIDENT FECKNER: Just a second.

19 I have Mr. Jelincic, please.

20 BOARD MEMBER JELINCIC: I noticed that schools
21 are in green, and we ought to give them a shout out for
22 doing something right.

23 CHIEF ACTUARY TERANDO: Yeah. They're in green.
24 I might say they have a lower rate right now, but I think
25 it's expected to substantially increase for them. And I

1 think the target that we have set up right now is a bit
2 high. And so I think we're going to be revisiting those
3 targets in the July offsite.

4 BOARD MEMBER JELINCIC: Thank you.

5 CHIEF OPERATING INVESTMENT OFFICER TOLLETTE:

6 Good morning, Mr. Chairman and Board. Wylie
7 Tollette, CalPERS Investment office.

8 --o0o--

9 CHIEF OPERATING INVESTMENT OFFICER TOLLETTE: One
10 year total expected fund volatility. The last time the
11 Board actually adopted a targeted fund volatility was
12 actually as part of the Risk Mitigation Policy adoption.
13 And that target was eight percent. Our current expected
14 fund volatility is 8.15 percent. So we're slightly higher
15 than our target. We expect to reset both our expectations
16 and our target as part of the ongoing ALM. So I expect
17 that this yellow, in fact, may be short lived if we -- if
18 we're successful in bringing the ALM to a decision point
19 in December.

20 --o0o--

21 CHIEF OPERATING INVESTMENT OFFICER TOLLETTE:

22 This is an at-risk initiative, rather than a
23 strategic measure. It's a very large initiative with the
24 Investment Office. It has to do with integrating ESG into
25 all of our various investment managers activities and

1 decision-making practices. There was one particular
2 initiative where we set really a too aggressive deadline.
3 We had hoped to achieve completing the initiative
4 regarding our internal diversity talent management steps
5 and activities by the end of September. We didn't
6 actually complete that until the end of October. And so
7 we're now -- this measure is now green, but as of the
8 measurement date of September 30th, we had to fess up to
9 the fact that we hadn't yet completed that by the end of
10 September.

11 And I think that's the last comment, and I think
12 I hand it back to Sabrina, if there's no questions.

13 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
14 HUTCHINS: Yes. Very good. Thank you. So with that,
15 really we're excited to come back for our second quarter
16 early next year. And we're happy to take any additional
17 questions if you have them.

18 PRESIDENT FECKNER: There are none at this time,
19 so thank you.

20 Ms. Frost, anything else on this item?

21 CHIEF EXECUTIVE OFFICER FROST: No

22 PRESIDENT FECKNER: All right. That brings us to
23 Agenda Item 13, State and Federal Legislation update.

24 Ms. Ashley.

25 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Good

1 morning, Mr. President --

2 PRESIDENT FECKNER: Good morning.

3 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY:

4 -- and members Of the Board. Mary Anne Ashley,
5 CalPERS team member.

6 The State and federal legislative update is an
7 informational item. And the legislative summary and the
8 federal reports are available in your Board materials for
9 your reference. The 2017 legislative session and the
10 federal reports are available in your Board materials for
11 your reference.

12 The 2017 legislative session ended October 15th.
13 And with the Governor signing CalPERS sponsored AB 1309, I
14 am happy to report that all four of CalPERS sponsored
15 measures in 2017 have been signed by the Governor, and
16 they will become effective January 1st, 2018.

17 The legislative summary also notes the final
18 status of those other bills that we've been closely
19 monitoring and engaging on during the year. And I'd like
20 to mention just a couple that the Governor did end up
21 signing.

22 AB 20 by Assembly Member Kalra which had to do
23 with the Dakota Access Pipeline. Originally introduced,
24 the measure would have required divestment from companies
25 that were doing business or funding the construction of

1 the Dakota Access Pipeline. However, the signed version
2 no longer requires divestment, but instead requires
3 CalPERS and CalSTRS to submit a report to the legislature
4 and the Governor that lists its investments in and
5 engagement activities with companies constructing or
6 funding the construction of the Dakota Access Pipeline.
7 And that report is due April 1st of 2018.

8 SB 17 by Senator Hernandez relating to
9 prescription drug cost transparency. The Board did adopt
10 a support position on this measure. The Governor did sign
11 the bill, and this bill has garnered a lot of national
12 attention. And California's bill may actually be used as
13 a model for other states pursuing similar legislation in
14 the future. And that bill becomes effective January 1st,
15 2019.

16 The legislative summary also lists those two-year
17 bills that we've been monitoring and engaging on. And we
18 will continue to closely watch those bills as the
19 legislature reconvenes in January. And I'd like to note
20 just a couple. AB 946 by Assembly Member Ting, which
21 would require divestment from companies engaged on the
22 border wall construction. We have heard that the Assembly
23 Member plans on amending this bill, so we will continue to
24 reach out to the member and meet with the member to engage
25 with him, and hopefully propose some amendments that would

1 replace the divestment requirement.

2 We have also heard that Assembly Member Allen
3 plans to try and move forward with AB 1311, which would
4 revise the compen -- compen -- composition, sorry, excuse
5 me, of the CalPERS Board of Administration. So we will be
6 closely watching that. We have heard that the bill will
7 be heard by the Assembly PERS Committee most likely in
8 January.

9 And then we have also heard that in 2018, the
10 legislature plans on holding a Joint Assembly and Senate
11 Retirement Committee hearing to discuss divestment. So we
12 will keep the Board updated as more specifics and a date
13 is provided on that.

14 Then on the federal side, there are several
15 pieces of legislation that we are closely monitoring, and
16 have engaged with congressional committees and leaders on.
17 Most of these are noted on the legislative summary.
18 However, I would like to mention a couple that have
19 recently been introduced that are not included in the
20 summary.

21 HR 1 by representative Brady which is the Tax Cut
22 and Jobs Act Bill. It was introduced in November, and it
23 has passed the House and is currently being heard on the
24 Senate Finance Committee. The House version include
25 provisions that would clarify that tax exempt entities,

1 including public pension plans are subject to the tax
2 Unrelated Business Income, commonly known as UBIT.

3 We've heard that the Senate version has actually
4 removed this provision. If it was enacted, it would
5 provide a costly and administratively burdensome income
6 tax on public pension plans.

7 The public pension plan community is united in
8 opposing the UBIT provision. And NCPERS, NASRA, and NCTR
9 have released a joint letter in opposition to the House
10 version, and they plan on doing the same for the Senate
11 version.

12 Additionally, our pension benefit and investment
13 federal representatives have been meeting with key
14 California delegation representatives this week to
15 advocate for the removal from the House version, as well
16 as to -- they will continue meeting with delegates and
17 advocate for keeping that particular provision out of any
18 tax bill that could be forwarded to the President.

19 Also, I believe there were questions regarding HR
20 1645 and HR 3857 by Mr. Jelincic. These bills were both
21 noted in the federal reports. They are on our radar, and
22 we will keep them included with those bills as we move
23 forward on strategizing which bills we are going to
24 actively engage on and advocate for.

25 And then finally HR 4015, which is the Corporate

1 Governance Reform and Transparency Act, CalPERS has signed
2 on to ACII letter in opposition to this measure, which
3 relates to proxy advisory firms. It appears that the
4 current federal landscape is one primarily focused on
5 getting a tax reform bill to the President to keep pace
6 with the President's time frame of signing the tax bill
7 into law by Christmas. So we are closely monitoring all
8 those activities relating to that.

9 And we will continue to closely monitor these
10 bills and have conversations with our federal
11 representatives and CalPERS team members to strategize on
12 which bills we will actively engage and advocate on.
13 Thank you. That concludes my update, and I am happy to
14 answer questions.

15 PRESIDENT FECKNER: Thank you.

16 Mr. Jelincic.

17 BOARD MEMBER JELINCIC: On the two bills I had
18 raised from the federal report, if I heard you correctly,
19 we have not yet decided whether we're going to actively
20 engage on those.

21 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: That
22 is correct.

23 BOARD MEMBER JELINCIC: Okay. And on page three
24 of 14, AB 99, you spent too much time in the legislature,
25 this probably makes perfect sense over there. I don't

1 understand it. I actually tried to diagram the sentence.
2 Can you tell me what the bill means and does?

3 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Which
4 Bill was that again?

5 BOARD MEMBER JELINCIC: AB 99. It's on page
6 three of 14 of attachment 1. It's on 619 of the iPad.

7 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: I
8 would have to ask to come back with you -- to you for an
9 answer on that. We didn't provide an analysis of that
10 bill. It's a budget bill. So I'd have to look at the
11 specifics to be able to answer that.

12 BOARD MEMBER JELINCIC: Okay. If you can do
13 that, I appreciate it. I just -- it's not clear who
14 they're employees of and whether they're actually
15 employees of an agency that belongs to us or -- so if you
16 could -- if you could put that in English, I would
17 appreciate it.

18 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: We
19 will do so. Thank you.

20 BOARD MEMBER JELINCIC: Thank you.

21 PRESIDENT FECKNER: Thank you. Ms. Taylor.

22 BOARD MEMBER TAYLOR: Yes. Thank you. My
23 question is on HR 1, the Tax and Jobs bill.

24 Additionally, they've just put in the repeal of
25 the individual mandate for the Affordable Care Act. Are

1 our federal representatives going to address that as well.

2 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: We
3 are absolutely keeping on top of all things -- it's moving
4 extremely fast.

5 BOARD MEMBER TAYLOR: Right.

6 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: So
7 yes, our federal representatives are actively engaged on
8 that.

9 BOARD MEMBER TAYLOR: It must be moving really
10 fast, because I'm really on top of this, and I didn't know
11 it passed the House. I thought it was just presented.

12 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Yes,
13 it's --

14 BOARD MEMBER TAYLOR: Thank you very much.

15 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Thank
16 you.

17 PRESIDENT FECKNER: Thank you.

18 Mr. Costigan.

19 BOARD MEMBER COSTIGAN: So just to follow up a
20 little bit on Ms. Taylor. One, has K&L Gates provided us
21 an actual what's in the bill? Do we have a document that
22 tells us? I know it's moving at a rapid pace, but when
23 you keep saying the federal lobbyist, it's K&L Gates on
24 this one, correct?

25 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Yes,

1 and also Tom Lussier and Tony Roda.

2 BOARD MEMBER COSTIGAN: So do we have anything
3 from them?

4 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: They
5 have been providing some recent updates almost daily or
6 hourly.

7 BOARD MEMBER COSTIGAN: So, Mr. Chair, if we
8 could get that, because I don't know what's weighs in
9 time.

10 Also, in response to Ms. Taylor, if I understand
11 it correctly, House passed it, Senate is going to pass a
12 different version, and we're going to conference
13 Committee?

14 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: As of
15 this morning, yes, that's -- yes.

16 BOARD MEMBER COSTIGAN: Okay. Because -- and not
17 to get too much into this, because I'd like to see the
18 reports, but there are some questions raised about the
19 private action bonds or --

20 ACTING BOARD MEMBER JUAREZ: Activity bonds.

21 BOARD MEMBER COSTIGAN: I'm sorry?

22 ACTING BOARD MEMBER JUAREZ: Activity -- private
23 activity bonds. Are we taking -- so I understand our
24 strategy with K&L Gates, because I also -- you had said
25 something on one of the federal pieces of legislation,

1 where we -- the report says we're monitoring it, but it
2 said that we had signed off on a letter opposing it.

3 But it was HR 4015. The document says action
4 taken, monitoring. But I thought you had said that we've
5 taken a position opposing the bill?

6 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: On --
7 that's recent, yes. We just recently. So sometimes the
8 leg summary is outdated by the time.

9 BOARD MEMBER COSTIGAN: Okay. Well -- all right.
10 I'll just point out, because the last status on this was
11 October 11th. Today is November 19th. And we're 30 days
12 past, and...

13 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Yeah.
14 Thank you.

15 BOARD MEMBER COSTIGAN: Just to clear -- but
16 back on H -- on House -- HR 1, what are we doing, for
17 example, with the private community bonds -- or activity
18 bonds -- private activity bonds, are we -- what's K&L --
19 what have we told K&L Gates to do?

20 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: I
21 believe currently the representatives are focusing mostly
22 on the UBIT provisions, because those have the greatest
23 impact. I'd have to touch base with them to see if
24 they've also had conversations.

25 BOARD MEMBER COSTIGAN: I see Wylie coming up.

1 Because I just want to know who they're getting,
2 because now -- the same with Ms. Taylor raising, now the
3 individual mandate has been dropped in, who's giving the
4 grand strategy to K&L Gates?

5 CHIEF OPERATING INVESTMENT OFFICER TOLLETTE:

6 Wylie Tollette, CalPERS staff. The --
7 specifically related to private activity bonds which is
8 the -- I think part of your question, Mr. Costigan. They
9 are a form of tax exempt bond. CalPERS does not invest in
10 tax exempt bonds. And so we are essentially silent on
11 that particular topic.

12 BOARD MEMBER COSTIGAN: Okay. So I just want
13 to -- with the exception of the individual mandate at this
14 point, do we have a position on anything else contained in
15 that bill?

16 With the exception of the individual mandate,
17 because I know that's where -- but anything else in H --
18 in the Republican's tax package that we have a problem
19 with?

20 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: There
21 could be potentially, because I believe they are all --
22 the Senate may also be proposing changes to defined
23 contribution provisions. So it depends as -- as we are
24 able to get actual language. Right now, we're just
25 hearing bits and pieces of what is anticipated to be

1 included, so --

2 BOARD MEMBER COSTIGAN: We're not going to take a
3 position on the SALT language or anything like that. On
4 the California taxation issues, we're not -- I'm just
5 trying to figure out. This is a massive piece of
6 legislation that's going to rewrite the U.S. economy. So
7 far, I've heard we're interested in one provision of the
8 bill at this point. I just want to make sure we're clear,
9 and that K&L Gates -- I don't feel comfortable we're
10 getting enough direction or information, as a board. I
11 mean, I know what's going on, and I know there are others.
12 But to make it available to our members and others.

13 So a report sooner rather than later because this
14 measure is going to be voted on before we meet in
15 December, and I'd like to know where we're actually going,
16 and what impacts of the bill -- what provisions would
17 actually impact us.

18 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY:

19 Correct. We will --

20 BOARD MEMBER COSTIGAN: And I believe on the
21 defined contribution plans, Senator McConnell said they
22 weren't going to move forward with it. They were going to
23 keep the 20,000. The sixteen five and 20, whatever the
24 current rates are on it, so -- but what I'd like to really
25 see, Mr. Chair, is just an analysis of what's in the bill,

1 at least what we're doing.

2 PRESIDENT FECKNER: That will be the direction of
3 the Chair.

4 All right. Seeing no other requests, thank you.

5 That brings us to Agenda Item 14 Summary of Board
6 Direction. Ms. Frost, do you have anything for today.

7 CHIEF EXECUTIVE OFFICER FROST: Yes. I just
8 recorded one. So a bill summary on the Tax bill working
9 with K&L Gates. What provisions actually impact CalPERS,
10 and any positions that CalPERS has taken on those
11 provisions.

12 PRESIDENT FECKNER: Thank you.

13 All right. Seeing nothing else. Item 15, Public
14 Comment. I have a number of requests for public comment.
15 I will first call on Mr. Jelincic for his public comment.

16 BOARD MEMBER JELINCIC: Yeah. I had indicated to
17 the Chair that I had a point of personal privilege, but
18 would go after Marcie at her request.

19 And he said, well, make it in public comment, so
20 that's where it is.

21 The June 13th, 2016 published agenda says under
22 closed session information agenda items, 6, review
23 program, A global governance; B, private equity compliance
24 review, Matthew Jacobs and Ted Eliopoulos.

25 In an email to the Board on accounting and

1 reporting issues, I included the following: The Committee
2 recently received a report that reviewed whether a sample
3 of general partners were complying with the LPAs. I do
4 not believe the consultant could have come to the
5 conclusion they did, if any -- or any conclusion, if they
6 couldn't identify the fees and carries being paid.

7 Carry is a percent of the profits. If you can't
8 identify profits, you have no way of calculating carry.
9 Once you have an earnings figure, carry is a known
10 function of that number, which is related but
11 identifiable.

12 The consultant also viewed portfolio company
13 fees, offsets, and waivers, so that the information must
14 be both available and separable.

15 Mr. Matthew Cohen Jacobs, Bill Slaton, and Rob
16 Feckner all appeared to agree that including that in the
17 email to the Board was to give away secret information.

18 I guess it is secret that a compliance review
19 would look at fees. I guess it is secret that a
20 compliance review would reach a conclusion. I note that I
21 did not give away the conclusion, but since there was no
22 follow-up litigation, I bet you can figure out what the
23 conclusion was.

24 Bill Slaton in January -- at the January offsite
25 called for my discipline. He refused to identify any

1 specific grounds for the discipline. To the best of my
2 knowledge, he has never produced any specifics. Matt
3 Jacobs has produced charges, but they were secret hidden
4 under attorney-client privilege. Interestingly enough, he
5 has distributed them to non-clients, while still insisting
6 that they are privileged.

7 I have repeatedly asked that the phony secret
8 charges against me be made public. I have repeatedly
9 asked that I be given a public chance to defend myself. I
10 believe it is called transparency.

11 Thank you.

12 PRESIDENT FECKNER: Thank you.

13 Next I have Bryan Snow, and Dan Carrigg please
14 come forward, on your right, my left, please. The
15 microphones are on. Please identify yourselves for the
16 record, and you'll have up to three minutes to make your
17 presentation.

18 MR. SNOW: My red light is on. All right.
19 President Feckner, Board of Administration. I'm grateful
20 to be here with you today. My name is Bryan Snow. I'm
21 with the -- I'm a Board member on the Corona Police
22 Officers Association Board. I'm in Southern California.

23 I wish I didn't need to be here. I don't really
24 like this much. It may not seem that way. I don't really
25 like being up here and having to speak and be on video and

1 recorded and all that good stuff.

2 But I think it's important that members are here
3 to voice their concerns, and when they feel is right. I
4 wanted thank you and the CalPERS team for the work that
5 you've been doing on some of the positive things I've
6 heard from some discussions with other staff and other
7 members and employers. And the discussions that we've had
8 on reducing costs, and also your acknowledgement and the
9 discussion on member concerns.

10 I believe Monday kind of showed also that it's
11 not just a couple of agencies or a couple members. It's
12 more widespread than that, and the concerns and issues
13 that we have, and that we feel need to be addressed.

14 The Corona Police Officers Association's
15 attendance at CalPERS has provided a pretty significant
16 education on the complexity of CalPERS, and investing, and
17 the issues that need to be dealt with. And increasing
18 returns and the sustainability of the fund is definitely
19 not on singular.

20 I know a lot of the time -- in the beginning we
21 really focused on the divestments, and I still think
22 that's an issue that needs to be addressed, but it's
23 multi-faceted. We understand that. And we know that it's
24 not something that happens in the short term. It's going
25 to be a long-term deal for that sustainability and to gain

1 those returns sufficient to fund pensions and for the
2 fund.

3 It is our sincere hope that this Board will put
4 aside politics, that put aside your social leanings or
5 whatever it may be, and that you focus on making money for
6 the fund. A lot of those other things are not as
7 important right now, and you guys know that. I understand
8 that you may have certain leanings and whatnot, but that
9 needs to be put aside.

10 We hope that you will continue to engage
11 employers and members, even if they don't agree. For
12 example, it would not be appropriate to go to a State
13 labor organization and tell them to have their members to
14 back off, which is what we heard a member of this Board
15 did.

16 In the Pension Belief number 8, in your -- in the
17 book that's available in the back it says Trustees,
18 administrators, and all fiduciaries are accountable for
19 their actions. I don't know what that looks like, except
20 those that are elected. But I think you'll see a lot more
21 people show up at these meetings if you guys continue with
22 the cuts, if you continue with the rate reduction, if you
23 continue divesting, it's just not a good idea.

24 We hope that you would -- and I know my time is
25 out. We hope that you would allow your staff to do their

1 job and not put restrictions on them. You guys are very
2 complex. I think you make this a lot complex than it has
3 to be. And you need to let your team members do their job
4 and not restrict them so much.

5 Thank you for your time.

6 PRESIDENT FECKNER: Thank you.

7 MR. CARRIGG: Mr. President and Board members,
8 Dan Carrigg on behalf of the League of California Cities.
9 First, I wanted to thank the Board for your patience on
10 Monday hearing from about 40 different city officials from
11 all around the State. You had elected officials, city
12 managers, human resource directors, finance officers.

13 And they were all conveying, and I was sitting in
14 the back of the room, a number of things. Number one,
15 they're struggling. They are struggling with the
16 increased cost to these -- of these pensions.

17 Number two, they've already made a lot of cuts
18 locally. And you've heard they still haven't recovered in
19 many cases from the recession. They've already worked
20 hard at the local bargaining table and secured significant
21 concessions there. Many have already maxed out with tax
22 increases. Some had reported they had increased it
23 several times.

24 A lot of the new revenue that's coming in to
25 cities at least is going for this. And I think you also

1 heard in some cases it's not even sufficient at that.

2 Those communities are cutting services. And I
3 think you also heard they're also planning to cut more. I
4 was -- I think it was the Mayor of Oroville talking about
5 going to the churches to get people to help sweep the
6 parks. I mean, this is an example I think of some of the
7 concern.

8 The bottom line is the cities at least, as
9 employers, feel they're maxed out, and that more solutions
10 going forward can't be this idea that cities are going to
11 pay more as employers.

12 I think you heard along the way with some of the
13 issues that you're currently focused on, there's a
14 preference for leaving the discount rate at seven percent.
15 There's also a preference for continuing to have
16 flexibility with the amortization schedule, and there are
17 concerns about divestment policies that end up impacting
18 the returns of the fund.

19 We think that -- I think what you've heard is we
20 think there's a looming problem out there, and -- at least
21 for cities, and that we need to figure out ways to begin
22 to address it. We need more options to begin to address
23 these challenges at least at the city level.

24 And so on behalf of the League, our cities, we
25 look forward to working with this Board, the legislature,

1 the Governor, other stakeholders, our labor partners to
2 see if we could develop more sustainable solutions.

3 So thank you for your time on Monday and the time
4 today.

5 PRESIDENT FECKNER: Thank you.

6 Okay. The next three speakers. We have Neil
7 Dougherty, Scott Steedman and Scott Dowell, please.

8 Again, state your name for the record and you'll
9 have up to three minutes for your comments

10 And since you're all from the same vicinity,
11 let's please not talk over each other's comments. So try
12 and be succinct. Thank you.

13 MR. DOUGHERTY: Thank you, Mr. President and
14 Board members for this opportunity to speak to you today.
15 My name is Neil Dougherty and I'm the IT manager for the
16 city of Chico up north representing our city's management
17 employees bargaining group.

18 Our members are working managers, meaning that we
19 have operational roles, as well as administrative duties.
20 PERS is not the only organization to take a bath during
21 the Great Recession. Our city has struggled to reduce our
22 costs while still meeting our public's needs for service.
23 Our group took reductions in pay, and have since lost a
24 third of our members.

25 We've moved from a seven-step salary structure to

1 a 14-step salary structures, meaning it takes us twice as
2 long to get where we used to get, so we have made
3 sacrifices and are continuing to.

4 The impending -- well, we're all doing more with
5 less, and working both harder and smarter, the impending
6 mandated increases in our City's PERS contributions over
7 the next five years are going to hit our organization like
8 the second Great Recession.

9 I'm here to ask that the PERS Board and staff
10 make every effort to creatively and collaboratively reduce
11 these impacts. For example, possibly extending the time
12 to implement these increases that are proposed, much like
13 our group did with our salary structure.

14 Enhancing PEPRA's additional tier to possibly
15 several additional tiers to get to your end goal in a bit
16 longer time frame, but something that can be planned out
17 and planned for.

18 I'm sure that there are many other options that
19 we're not even aware of that have yet to be explored. I
20 thank you for your time and efforts to ease the burden of
21 these contribution increases on local government, and look
22 forward to more developments from your organization.

23 Thank you very much.

24 PRESIDENT FECKNER: Thank you.

25 MR. STEEDMAN: Mr. President, Board of directors,

1 my name is Scott Steedman. I'm here representing the
2 employees of SEIU 1021 for the City of Chico. And we need
3 your help. The current formula for repaying our unfunded
4 liability will be devastating to our small city. We need
5 your help coming up with different solutions to reduce our
6 unfunded liability, not just for our city, but other
7 cities up and down the State.

8 Thank you.

9 PRESIDENT FECKNER: Thank you.

10 MR. DOWELL: Thank you. I am Scott Dowell, the
11 Administrative Services Director for the City of Chico.
12 And over the last few days you've heard from many
13 California cities. You've heard the effects of what the
14 future required CalPERS contributions will have on these
15 cities. I'm here today to echo those concerns from the
16 City of Chico perspective.

17 A brief recap of the City of Chico's story is
18 that the city was greatly hampered by the Great Recession.
19 We had a net general fund deficit of \$7.6 million in 2013,
20 and on the road to bankruptcy. Due to prudent budgeting,
21 conservative spending, employee concessions, and staff
22 layoffs, the city has recovered from that difficult time.

23 We're still not out of the woods, as we continue
24 to try and rebuild adequate and prudent financial
25 reserves. We are progressing. We're now faced with a

1 significant challenge of the new CalPERS retirement
2 contribution rates, including the unfunded liability
3 payments. For us, we are looking at a 70 percent increase
4 in CalPERS payments in five years to 19 million from the
5 current 11 million.

6 If action is not taken by CalPERS to reduce the
7 required contributions, the City of Chico leadership may
8 need to pursue additional taxes or greatly reduce staffing
9 and service levels. These choices are just not good for
10 our city that has just not fully recovered from the Great
11 Recession.

12 As I listened to the comments from the many local
13 agency representatives this week, the common theme was
14 basically, please help us. I'm here today to echo that
15 same that please help us.

16 How can you help?

17 Please direct your excellent CalPERS staff to
18 research and disclose all options that could help address
19 these issues. Just talking about how bad the issues are
20 is not enough. We also need tools to work with to solve
21 these issues at the local level.

22 In September, I attended a CalPERS Finance
23 Committee meeting where you discussed having staff
24 research two possible options that possibly could help the
25 current situation that we are now in.

1 The Committee was asked to approve staff spending
2 80 hours to research two options and publicly report back
3 what are the effects of those options. To my surprise, no
4 action was taken by the Committee to research those
5 options presented.

6 As a member of CalPERS retirement system myself,
7 I'm concerned that options are not being researched. How
8 do we know something will or will not work, unless we
9 research and discuss those things. One of the first
10 things I've learned in my government service is that we
11 must listen to the community and research all options to
12 solve problems. Exploring all options is a prudent
13 opportunity for CalPERS. Public disclosure of these
14 options is an opportunity for the public sector to be well
15 educated on the related topics.

16 We want to work with you, as was expressed by
17 several of the cities on Monday. We want to work with you
18 and we're available to do it. We appreciate your help
19 through this. We appreciate your time and energy during
20 this time.

21 Thank you.

22 PRESIDENT FECKNER: Thank you. Good timing too.

23 Anyone else wish to address the Board at this
24 time?

25 Seeing none. We will now adjourn the open

1 session and we will -- in 10 minutes 12:15 we will go into
2 closed session. It shouldn't be long but we do have to
3 take care of some business.

4 This meeting is adjourned. Thank you for being
5 here.

6 (Thereupon the California Public Employees'
7 Retirement System, Board of Administration
8 open session meeting adjourned at 12:06 p.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 November, 2017.



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