

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, DECEMBER 20, 2017

9:02 A.M.

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

A P P E A R A N C E S

BOARD MEMBERS:

Mr. Rob Feckner, President

Mr. Henry Jones, Vice President

Mr. Michael Bilbrey

Mr. John Chiang, represented by Mr. Steve Juarez

Mr. Richard Costigan

Mr. Richard Gillihan, also represented by Mr. Ralph Cobb

Ms. Dana Hollinger

Mr. J.J. Jelincic

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

Mr. Wylie Tollette, Chief Operating Investment Officer

ALSO PRESENT:

Mr. Neal Johnson, Service Employees International Union,  
Local 1000

Mr. Wesley Kennedy

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

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

2 PRESIDENT FECKNER: Good morning. We'd like to  
3 call the Board of Administration meeting to order.  
4 Welcome, everyone.

5 The first order of business will be to call the  
6 roll.

7 BOARD SECRETARY BUCHANAN: Good morning.

8 PRESIDENT FECKNER: Morning.

9 BOARD SECRETARY BUCHANAN: Rob Feckner?

10 PRESIDENT FECKNER: Good morning.

11 BOARD SECRETARY BUCHANAN: Henry Jones?

12 VICE PRESIDENT JONES: Here.

13 BOARD SECRETARY BUCHANAN: Michael Bilbrey?

14 BOARD MEMBER BILBREY: Good morning.

15 BOARD SECRETARY BUCHANAN: Steve Juarez for John  
16 Chiang?

17 ACTING BOARD MEMBER JUAREZ: Here.

18 BOARD SECRETARY BUCHANAN: Richard Costigan?

19 BOARD MEMBER COSTIGAN: Here.

20 BOARD SECRETARY BUCHANAN: Ralph Cobb for Richard  
21 Gillihan?

22 ACTING BOARD MEMBER COBB: Here.

23 BOARD SECRETARY BUCHANAN: Dana Hollinger?

24 BOARD MEMBER HOLLINGER: Here.

25 BOARD SECRETARY BUCHANAN: J.J. Jelincic?

1 BOARD MEMBER JELINCIC: Here.

2 BOARD SECRETARY BUCHANAN: Ron Lind?

3 PRESIDENT FECKNER: Excused.

4 BOARD SECRETARY BUCHANAN: Priya Mathur?

5 BOARD MEMBER MATHUR: Happy Holidays.

6 BOARD SECRETARY BUCHANAN: Happy Holidays.

7 Bill Slaton?

8 BOARD MEMBER SLATON: Here.

9 BOARD SECRETARY BUCHANAN: Theresa Taylor?

10 BOARD MEMBER TAYLOR: I'm here.

11 BOARD SECRETARY BUCHANAN: Lynn Paquin for Betty

12 Yee?

13 ACTING BOARD MEMBER PAQUIN: Here.

14 PRESIDENT FECKNER: All right. Thank you.

15 Next order of business we have Pledge of

16 Allegiance.

17 Will you all please rise.

18 I've asked Board Member Bilbrey to please lead us  
19 in the Pledge.

20 (Thereupon the Pledge of Allegiance was  
21 Recited in unison.)

22 PRESIDENT FECKNER: Okay. Is our choir here yet,  
23 do we know?

24 Yes?

25 Okay. They are here.

1 All right. At this time, we're going to have our  
2 choir come in and have an annual holiday presentation for  
3 us. So if the Board would please like to take seats in  
4 the audience or align on the hallway side, so we can allow  
5 them access to the stage please.

6 (Thereupon the CalPERS choir sang.)

7 PRESIDENT FECKNER: So please join us in giving  
8 our choir another round of applause please.

9 Great presentation.

10 (Applause.)

11 PRESIDENT FECKNER: Great way to start the day.

12 Okay. Next order of business is the President's  
13 report.

14 Again, welcome, everyone. Thanks for joining us  
15 here today.

16 I do want to say that there will be music down  
17 the hallway this afternoon if anybody's interested. You  
18 can hear our choir again starting this afternoon about  
19 1:30.

20 I want to tell everyone about our offsite. It's  
21 coming up January 16th through the 18th. This time it's  
22 going to be at the Sheraton Sonoma County in Petaluma  
23 where we were a few years ago. So we'll be going back  
24 there; and hope to see many of you joining us this year.

25 Our topics on our agenda are going to be:



1           Sustainable investing in our ESG Strategic Plan;  
2           Continuing development on our Health Beliefs;  
3           Health Care Value and Affordability;  
4           Health programs as regional -- and looking at  
5 regional rating;  
6           Federal legislation; as well as  
7           Fiduciary training for Board members and their  
8 designees.

9           We have two new Board members joining us in  
10 January: David Miller, who's employed by the California  
11 Department of Toxic Substances Control; and Margaret  
12 Brown, who works for the Garden Grove Unified School  
13 District. We want to congratulate both of them and  
14 welcome them in their participation as we move forward to  
15 benefit this system.

16           I do want to take some points of personal  
17 privilege this morning. First of all, I want to recognize  
18 that Ralph Cobb, who represents CalHR, has also had many  
19 other hats in his career, especially -- and including  
20 working here at CalPERS, this is Ralph's last meeting.  
21 He's retiring tomorrow. So I think Friday's his first day  
22 of retirement.

23           So, Ralph, congratulations, and we thank you for  
24 everything.

25           (Applause.)

1           PRESIDENT FECKNER: And before I get to our two  
2 Board members that are departing us, I do want to say that  
3 a year ago I made the decision and shared with some of my  
4 fellow Board members that this was going to be my last  
5 term as President of this Board. I intend to stay on the  
6 Board. But it's time for someone else to try the  
7 leadership position. As I did my counting, someone that  
8 went into kindergarten when I became President has now  
9 graduated from high school.

10           So it's been a long run. Thirteen years as  
11 President is certainly something that I'm very proud of.  
12 And this system has been wonderful to work with. The  
13 staff has been phenomenal.

14           I do say that I made my decision after we hired  
15 our current CEO. I find the Board's biggest job is to  
16 hire the CEO, and I'm not sure that we could do any  
17 better. So I figure at that time that I've done my job.  
18 And we've got our -- put our Board and our system in good  
19 hands with Ms. Frost. And I'm very comfortable in  
20 standing down now and letting someone else take the  
21 leadership role.

22           I'm not going away. I'll still be here. I'll  
23 still have the institutional knowledge that a lot of us  
24 don't have. But certainly it's been my pleasure to  
25 represent this Board and this association, this

1 organization; and again I'm going to continue to be here.  
2 But I just wanted to put that out there on the record,  
3 that this will be my last meeting as President. And who  
4 knows, it may come around again. But at this time, it's  
5 time for someone else to have a turn.

6 So we have two Board members leaving us this year  
7 as of this meeting. We have Mr. Jelincic and Mr. Bilbrey,  
8 who will both be moving on to other things.

9 Mr. Jelincic has represented active and retired  
10 members since 2010. He's a veteran employee here at  
11 CalPERS. He's brought investment experience to bear as a  
12 Board member, including work in global equity, fixed  
13 income, and real estate; encouraged dialogue and lively  
14 debate at our Board meetings. He's offered insights of  
15 ensuring the financial soundness and integrity of this  
16 system.

17 J.J., you spent a lot of time in CalPERS, not  
18 only as an employee but as a Board member, bettering the  
19 benefit of this system and helping our members better  
20 understand what's in front of them and the challenges that  
21 we all face.

22 Mr. Bilbrey's also represented active, retired  
23 CalPERS members since 2011. He's encouraged thoughtful  
24 decision making on this Board and welcomed the views of  
25 many members and employer stakeholders. He's been a

1 strong advocate for public employees and working families.  
2 His expertise and judgment have contributed to enhancing  
3 the financial security of CalPERS members and protecting  
4 our defined benefit program.

5 Now, if I could take a moment please and have  
6 them both join me down here on the stage.

7 Thank you. We have a couple of great resolutions  
8 for both of them, starting with seniority first.

9 (Laughter.)

10 PRESIDENT FECKNER: Mr. Jelincic, I'm not going  
11 to read all the "Whereases," but you certainly know that  
12 you've spent a lot of time and energy in this organization  
13 and you've done a lot to better the system and the Fund  
14 going forward. So on behalf of the -- Therefore resolve,  
15 the CalPERS Board of Administration, individually and as a  
16 body, express their sincerely appreciation to Joseph John  
17 Jelincic, Jr., for his many contributions and outstanding  
18 service to the system, and extend our sincere best wishes  
19 to you for your future endeavors.

20 Certainly hope that you will hang this somewhere  
21 of prominence within your house, and that you're as proud  
22 of that as we are of the work you've done for us here at  
23 CalPERS.

24 So thank you and enjoy your...

25 (Applause.)

1           PRESIDENT FECKNER: Mr. Bilbrey, I'm not going to  
2 read it because the same thing says at the bottom "To be  
3 it therefore resolved..." But you also have been an  
4 integral part of this team sitting up here. You  
5 represented school employees and -- throughout your  
6 career, and here at the CalPERS system you've represented  
7 public employees and the cities. You've made a lasting  
8 benefit for the members of this system going forward. So  
9 again we hope that you'll hang this at a place of  
10 prominence at your home and be as proud of that as we are  
11 of you.

12           And now I'd like to ask --

13           (Applause.)

14           PRESIDENT FECKNER: Mr. Jelincic, in order, your  
15 turn first, sir.

16           BOARD MEMBER JELINCIC: Well, it has been fun and  
17 rewarding. It has been frustrating and aggravating, but I  
18 would do it again.

19           I would like to acknowledge my wife Christine, my  
20 daughter Mary, my son Joseph. And if you've had problems  
21 dealing with me for eight years, she has put up with me  
22 for 40.

23           (Laughter.)

24           BOARD MEMBER JELINCIC: She has also put up with  
25 PERS for over 30 years. My daughter has never known when

1 I wasn't involved with CalPERS.

2 And my son works in Sacramento and is making his  
3 first PERS Board meeting.

4 (Laughter.)

5 BOARD MEMBER JELINCIC: I would like to thank --  
6 and recognizing this is going out. I'd like to thank the  
7 members for their support over the years. I would like to  
8 specifically acknowledge the retirees who are here. Local  
9 1000 is here month after month after month. AFT is here  
10 month after month and have been for years. The Corona  
11 Police Department has started showing up to remind us of  
12 our duties.

13 I would encourage all of the members to show up,  
14 stay in our face, remind us who we represent.

15 I would also like to thank the PERS staff,  
16 particularly the worker bees, the people who make the  
17 system run, who get the checks out, who keep the records  
18 straight, who hassle with the health benefit people on our  
19 behalf. Given the obstacles that formally DPA, now CalHR,  
20 have put in their way, the obstacles the senior management  
21 has put in their way, and the obstacles that we've put in  
22 their way, we actually have a much better workforce than  
23 we deserve and I thank all of you.

24 To the senior staff, I thank you. You know,  
25 we've had our run-ins. But I want to remind you that you

1 have a function which is to carry out our policies. But  
2 even more importantly perhaps is to help us develop those  
3 policies. And that means that you have to help us develop  
4 well-informed policies. That means you have to help us  
5 look at both sides of the issue, what are we rejecting by  
6 adopting the policy. So I would encourage you to pursue  
7 that.

8 And my fellow Board members, at least for a while  
9 you're not going to have to put up with me.

10 But I want to -- but I will be here with a few --  
11 three minutes, I promise.

12 You know, but I just want to remind you that no  
13 matter how you got on this Board, no matter who appointed  
14 you, no matter which constituent group elected you, when  
15 you are on this stage, you owe an obligation to all of the  
16 beneficiaries. As fiduciaries, you have an obligation to  
17 act in a prudent manner for -- and is somebody who is  
18 informed about the decisions and the issues they're  
19 dealing with.

20 And that means you also have an obligation to  
21 educate yourself, seek multiple sources of information.  
22 You won't have me to point it out to you anymore. But do  
23 initiate that.

24 And it's been a pleasure serving with all of you.  
25 Thanks to the staff. Thanks to the members. And we wish

1 you good luck. And as I tell the retirees, the most  
2 important thing is the checks are going to keep coming.

3 Thank you.

4 (Applause.)

5 PRESIDENT FECKNER: Michael.

6 BOARD MEMBER BILBREY: Lucky me getting to follow  
7 J.J.

8 (Laughter.)

9 BOARD MEMBER BILBREY: So let me begin by saying,  
10 first to all the members who have supported and really  
11 carried me along on this journey: You know, in my early  
12 20s I started leadership positions. And so all of my  
13 adult life I've been in some sort of leadership position.  
14 And so for the first time I actually get to take a little  
15 break, and I'm kind of looking forward to that for a  
16 little bit.

17 But this will not be the last of my journey. I  
18 have many opportunities looking into, and hopefully our  
19 paths will cross again.

20 The members absolutely must keep the Board  
21 accountable. That is your job, and I don't want any  
22 members to ever forget that. Because once that stops,  
23 then the problems happen.

24 To all the staff, the executive staff should be  
25 sharing with you a letter that I have sent out to all of



1 you to thank you for all my time here, the help and  
2 opportunities that you have given to me. Your work does  
3 not go unnoticed. I see it by the rank-and-file members  
4 each and every day. And I thank you for that work.

5 To my fellow Board members, it has been a  
6 challenging time since I came on the Board, and actually  
7 for all of us. And the challenges will not end here. The  
8 challenges will continue, and we are counting on all of  
9 you to do what is in our best interests for our future to  
10 get this Fund back to full funding, to be sustainable, and  
11 to make sure we're providing benefits.

12 While J.J. says, for those of us right now who  
13 are coming, to those who are going to come much, much  
14 after us.

15 So I thank you for our camaraderie and the  
16 challenges and the great times, and I look forward to  
17 seeing you all again.

18 Thank you.

19 (Applause.)

20 PRESIDENT FECKNER: So with that, we're going to  
21 take a break until 10 minutes to 10. So we have about 25  
22 minutes. We have cake and fruit and ice cream -- not --  
23 cake and fruit and coffee out on the foyer.

24 I don't know where the ice cream came from. I  
25 don't even eat it.

1           But as you go out, to please thank and welcome --  
2 or congratulate Michael and J.J. on their tenure here.

3           Let's give them another round of applause as we  
4 leave the room.

5           (Applause.)

6           PRESIDENT FECKNER: We're in recess.

7           (Off the record: 9:26 a.m.)

8           (Thereupon a recess was taken.)

9           (On the record: 9:51 a.m.)

10          PRESIDENT FECKNER: All right. We're going to  
11 call the meeting back to order.

12          We're on Agenda Item 4, Executive reports.

13          4a, Chief Executive Officer.

14          Ms. Frost.

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

17          First of all I would like to thank Rob for his  
18 earlier comments. I very much appreciated your assistance  
19 in helping me to on-board here at CalPERS. You obviously  
20 have been very active in safeguarding this system in this  
21 role and I know in your continued role on the Board. So  
22 thank you very much for those comments. I appreciated  
23 that.

24          Given all that's going on this morning, I'm going  
25 to try to keep my CEO reports a little more brief this

1 time. And I'd like to start with expressing -- on behalf  
2 of our entire team here at CalPERS, express our  
3 appreciation for both J.J. and Michael's years of service  
4 to the CalPERS Board.

5 As mentioned earlier, J.J. has served on the  
6 Board since 2010. And I want to thank him again for his  
7 passion and commitment that he's brought to the Board and  
8 the conversations and dialogue that have happened since  
9 I've been here.

10 And on a personal note, I'd also like to tell him  
11 thank you for all of our one-on-one conversations; and  
12 they were very candid and very much appreciated.

13 Michael began his service on the Board -- hi,  
14 Michael --

15 (Laughter.)

16 CHIEF EXECUTIVE OFFICER FROST: -- in 2011 and  
17 has really been a very passionate advocate for the  
18 members. I got to know Michael coming into this position  
19 as he was working through member issues and members  
20 contacting him directly asking him for assistance and  
21 understanding some of the processes we have at CalPERS.  
22 And he has been a very strong advocate again for those  
23 members. And some of what you didn't see up here on the  
24 dais were certainly conversations and interactions and  
25 work that he did on behalf of the members when he was not

1 sitting as a Board member during our three days each  
2 month.

3           And then I also want to congratulate Ralph Cobb  
4 on his retirement. So we wish you well and know that you  
5 can rely on getting your retirement check every month from  
6 us.

7           And then a farewell on the CalPERS team, as Henry  
8 indicated on Monday during the Investment Committee. We  
9 are saying goodbye to a very strong team member in Wylie  
10 Tollette in our Investment Office. And he has done a  
11 significant amount of work to help us strengthen the Fund  
12 and create strong operational processes in the back office  
13 for the Investment Office.

14           I've enjoyed -- personally I enjoyed his humor.  
15 He has a way of boiling an issue down pretty quickly and  
16 directly. And I know the stakeholders have appreciated  
17 that as we've gone out on the road quite frequently  
18 recently to explain the work of the system.

19           And we call it, you know, he's part of the band  
20 here at CalPERS and we're going to miss his contributions.

21           And then while we're on the subject of team  
22 members, let me also congratulate Donna Lum on her recent  
23 election as president of the CALAPRS Board. It's an  
24 organization that she knows quite well, having served on  
25 their board since 2011 and as the first vice president

1 over the past two years.

2           And I'm confident - I know that you would be  
3 confident as well - in Donna's work with this board, that  
4 it will have a positive impact on defined benefit plans in  
5 California and on the work that we do here at CalPERS to  
6 ensure that our retirees have financial security.

7           So congratulations, once again, to Donna.

8           Moving on now to this week's business. On  
9 Monday, the Investment Committee approved an asset  
10 allocation mix that will set the course for our investment  
11 strategies over the next four years. That decision is the  
12 culmination of all the work done as part of our asset  
13 liability management process that really started about two  
14 years ago that but certainly was probably more active  
15 within the last year.

16           Again, over the last year we've held multiple  
17 workshops to address each component of the A, the L, and  
18 the M, and to provide you with an in-depth review of our  
19 demographic, our actuarial, our financial and economic  
20 assumptions.

21           I'd like to thank the team here at CalPERS in the  
22 Investment Office, the Actuarial Office, and the Finance  
23 offices for their outstanding work and dedication in  
24 providing you with the most thorough information so that  
25 you can make the most informed decisions.

1 I also want to extend my gratitude to our member  
2 and our employer stakeholders for their attention to this  
3 important decision. Our engagement with them has been  
4 important and I think productive. And these are  
5 interactions truly valued by the CalPERS team.

6 With the culmination of these decisions, we feel  
7 confident that we're on the path to strengthening the  
8 Fund.

9 And in investment performance to date, let me  
10 provide you with a brief update as of October 31st of  
11 2017. We can report that the Total Fund performance is  
12 5.1 percent, the 3-year return of the fund is 6.6, the  
13 5-year is 9.0, the 10-year return is 4.4, and the 20-year  
14 return is 6.7. All asset classes are within ranges, and  
15 the Total Fund assets are valued at \$341.5 billion as of  
16 October 31st.

17 In closing, as Rob indicated earlier, I'd like to  
18 invite you all to join me at the annual winter gathering  
19 here in Lincoln Plaza North at 1:30 where we will serve up  
20 some holiday beverages and enjoy time with the CalPERS  
21 team.

22 We will be holding a winter gathering in West  
23 Sacramento for our Contact Center team on Thursday.

24 So this is a wonderful time to enjoy the spirit  
25 of the holidays and help appreciate the work that our team

1 does day in and day out. And I look forward to seeing  
2 everyone here this afternoon.

3 With that, I'd like to finish by wishing everyone  
4 a happy holiday season and a healthy and productive new  
5 year.

6 And that concludes my remarks, Mr. President.

7 PRESIDENT FECKNER: Thank you.

8 Agenda Item 5, Consent Calendar. I do have a  
9 request to split Item 5b. So we will split the vote on  
10 5b. So we will take up the minutes first and then -- or  
11 Item A first then we'll take up Item B.

12 Do we have a --

13 BOARD MEMBER MATHUR: Move approval of the  
14 minutes.

15 PRESIDENT FECKNER: Moved by Mathur.

16 BOARD MEMBER HOLLINGER: Second.

17 PRESIDENT FECKNER: Seconded by Hollinger.

18 All in favor of the -- any questions on the  
19 minutes?

20 Mr. Jelincic.

21 BOARD MEMBER JELINCIC: Yeah. On the minutes,  
22 page 5, item 11, the Superior Court Reprimands. The one  
23 on the bottom, it was -- yeah, I'm sorry, Superior Court  
24 Remand. Thank you.

25 The one on the bottom, the last sentence I

1 thought was poorly constructed: It "will be effective  
2 conditionally upon receipt." And I think it would be  
3 clearer if we said that it was conditioned upon receipt of  
4 the final court.

5 And just out of curiosity, did we get it?

6 GENERAL COUNSEL JACOBS: Yes, we did.

7 BOARD MEMBER JELINCIC: Okay. Thank you.

8 So I would --

9 GENERAL COUNSEL JACOBS: We got it later that  
10 day.

11 BOARD MEMBER JELINCIC: Oh, okay.

12 So I would just request that amendment.

13 PRESIDENT FECKNER: Okay. Any other questions or  
14 comments on the motion?

15 Seeing none.

16 All in favor say aye.

17 (Ayes.)

18 PRESIDENT FECKNER: Opposed, no.

19 Item 5b, we're going to take out the  
20 Johannesburg, South Africa, trip.

21 The other three before you are Mr. Lind going to  
22 Washington D.C., Mr. Jones to D.C., and Mr. Lind to San  
23 Francisco. I will note that you have a revised copy.  
24 Board members are looking at your iPad version on Board  
25 Books, it shows Mr. Lind on the D.C. trip going from



1 January 1st to the 31st. We're certainly not going to  
2 send him there for a month.

3 (Laughter.)

4 PRESIDENT FECKNER: So it has been revised to the  
5 27th to the 31st.

6 So, again, we'll take up those three. Do we have  
7 a motion?

8 BOARD MEMBER COSTIGAN: I'll move it.

9 BOARD MEMBER MATHUR: Second.

10 PRESIDENT FECKNER: Been moved by Costigan,  
11 seconded by Mathur.

12 Any discussion on the motion?

13 Seeing none.

14 All in favor say aye.

15 (Ayes.)

16 PRESIDENT FECKNER: Opposed, no.

17 Motion carries.

18 Now before us is Mr. Jones to South Africa. Is  
19 there a motion?

20 BOARD MEMBER COSTIGAN: I'll move.

21 BOARD MEMBER HOLLINGER: Second.

22 PRESIDENT FECKNER: Been moved by Costigan,  
23 seconded by Hollinger.

24 Any discussion on the motion?

25 Seeing none.

1 All in favor say aye.

2 (Ayes.)

3 PRESIDENT FECKNER: Opposed, no.

4 BOARD MEMBER JELINCIC: No.

5 PRESIDENT FECKNER: Motion carries.

6 Thank you.

7 Brings us to Item 6, Consent Calendar.

8 Having no requests to move everything on -- move  
9 anything from the consent calendar, we'll move on to Item  
10 7.

11 7a, in the Investment Committee.

12 And for that I call on the Chair, Mr. Jones.

13 VICE PRESIDENT JONES: Yeah, thank you,  
14 Mr. President.

15 The Investment Committee met on December the 18th  
16 of 2017.

17 The Committee discussed and approved:

18 The selection of the Strategic Asset Allocation  
19 for the Public Employees' Retirement Fund; and

20 The annual report to the California Legislature  
21 CalPERS' Emerging Manager Five-Year Plan.

22 The Committee received reports on the following  
23 topics:

24 The consultant review of CalPERS' divestments,  
25 the Responsible Contractor Policy program, an update on

1 the Investment Office roadmap and targeted operating  
2 model.

3 The Chair directed staff to do the following:

4 Add a closed session discussion regarding emerging  
5 managers; work with the CEO and Public Affairs to develop  
6 additional ways to present CalPERS' efforts in the  
7 Emerging Manager and the Responsible Contractor programs;

8 Work with staff to determine the appropriate  
9 frequency of the CalPERS Diversity Forum.

10 The Committee heard public comments on the  
11 following:

12 Asset allocation;

13 Support of the CalPERS Emerging Manager Program;

14 Support of staff work in Responsible Contractor  
15 Policy program; and

16 Feedback regarding divestment's mandates.

17 At this time I would like to share some  
18 highlights of what to expect at the next meeting:

19 A report to the Legislature of Holocaust and  
20 Northern Ireland investments;

21 A review of the Investment Committee delegation,  
22 Strategic Asset Allocation implementation, staff and  
23 consultant report on the CalPERS trust review for the  
24 calendar year in; and

25 The first reading of the revision of the Total

1 Fund, Real Assets, and Private Equity investment policies.

2 The next meeting of the Investment Committee is  
3 scheduled for February 12, 2018, in Sacramento,  
4 California.

5 And that concludes my report, Mr. President.

6 PRESIDENT FECKNER: Thank you.

7 Next is item 7b, Pension Health Committee.

8 For that I call on the Chair, Ms. Mathur.

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

10 The Pension and Health Benefits Committee met  
11 yesterday, on December 19th, 2017.

12 The Committee recommends, and I move, that the  
13 Board approve on Agenda Item 5 the final proposed  
14 amendments to California Code of Regulations section  
15 586.1, defining normal retirement age as attached.

16 Upon approval, CalPERS will submit the final  
17 rulemaking package to the Office of Administrative Law for  
18 adoption.

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 MATHUR: The Committee further  
2 recommends, and I move, that the Board approve on Closed  
3 Session Agenda Item Number 2, per discussions held in the  
4 closed session, to approve the Committee's decision to not  
5 risk adjust the Health Maintenance Organization and  
6 Preferred Provider Organization health plan premiums  
7 beginning with 2019 plan year.

8 PRESIDENT FECKNER: On motion by Committee.

9 Any discussion on the motion?

10 Mr. Costigan.

11 BOARD MEMBER COSTIGAN: Mr. Feckner, I'm just  
12 going to abstain on this. I didn't attend closed session,  
13 so I'm not familiar with the item.

14 PRESIDENT FECKNER: Thank you.

15 Seeing no other requests.

16 All in favor say aye.

17 (Ayes.)

18 PRESIDENT FECKNER: Opposed, no.

19 Please note Mr. Costigan is abstaining.

20 BOARD MEMBER MATHUR: The Committee received  
21 reports on several topics, including the customer services  
22 and support strategic measures and key performance  
23 indicators, CalPERS prescription drug trends, and proposed  
24 design changes to the CalPERS Preferred Provider  
25 Organization basic plans.

1           The staff directed -- the Chair directed staff to  
2 seek legislative opportunities that constrain prescription  
3 drug costs, provide information on how the proposed  
4 value-based insurance design impacts a typical member  
5 profile across the three plans, including possible  
6 deterrents to seeking care and long-term health outcomes.

7           Some highlights of what to expect in February  
8 include:

9           We will receive some information on retirees cost  
10 of living, public agency recruitment and retention for the  
11 Health Benefits Program, and health open enrollment  
12 results.

13           We will also review the PHBC delegation and  
14 proposed regulations for definition of full-time  
15 employment.

16           The next meeting of the Pension and Health  
17 Benefits Committee is scheduled for February 13th, 2018,  
18 in Sacramento, California.

19           That concludes my report, Mr. President.

20           PRESIDENT FECKNER: Thank you, Ms. Mathur.

21           Brings us to Agenda Item 7c, Finance and  
22 Administration.

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

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

25           The Finance and Administration Committee met on

1 December 19th, 2017.

2           The Committee recommends, and I move, the Board  
3 approve the following:

4           Agenda Item 3b, approve the December 2017  
5 prospective report of solicitations contract, purchase  
6 orders, and letters of engagement.

7           PRESIDENT FECKNER: On motion by Committee.

8           Any discussion on the motion?

9           Seeing none.

10          All in favor say aye.

11          (Ayes.)

12          PRESIDENT FECKNER: Oppose, no.

13          BOARD MEMBER JELINCIC: Abstain.

14          PRESIDENT FECKNER: Motion carries.

15          Please show Mr. Jelincic as abstaining.

16          BOARD MEMBER COSTIGAN: Agenda Item 3c, approve  
17 staff recommendations that an additional one-year contract  
18 extension is necessary for the External Investment Manager  
19 contracts without a defined duration.

20          PRESIDENT FECKNER: On motion by Committee.

21          Any discussion on the motion?

22          Seeing none.

23          All in favor say aye.

24          (Ayes.)

25          PRESIDENT FECKNER: Opposed say no.

1 Motion carries.

2 BOARD MEMBER COSTIGAN: Agenda item 5a, approve  
3 the second reading of the California Public Employees'  
4 Retirement System Fiscal Year 2017-18 mid-year total  
5 budget of \$1,675,851,000 and 2,875 positions.

6 PRESIDENT FECKNER: On motion by Committee.

7 Any discussion on the motion?

8 Seeing none.

9 All in favor say aye.

10 (Ayes.)

11 PRESIDENT FECKNER: Opposed, no.

12 Motion carries.

13 BOARD MEMBER COSTIGAN: Agenda time 6a, approve  
14 sponsoring legislation to require members who elect to  
15 purchase or convert service credit on or after January 1,  
16 2019, to pay any remaining balances on the member's  
17 retirement date or to elect an actuarial equivalent  
18 reduction in lieu of making installment payments into  
19 retirement. The same payment options will be -- will also  
20 be provided to the survivor or beneficiary upon  
21 notification from CalPERS following the member's  
22 pre-retirement death.

23 PRESIDENT FECKNER: On motion by Committee.

24 Any discussion on the motion?

25 Seeing none.



1 All in favor say aye.

2 (Ayes.)

3 PRESIDENT FECKNER: All opposed say no.

4 ACTING BOARD MEMBER COBB: Abstain.

5 PRESIDENT FECKNER: Please show Mr. Cobb is  
6 abstaining on behalf of CalHR.

7 Motion carries.

8 BOARD MEMBER COSTIGAN: Agenda Item 6b, approve  
9 maintaining the status quo in administering the  
10 replacement benefit plan.

11 PRESIDENT FECKNER: On motion by Committee.

12 Any discussion on the motion?

13 Seeing none.

14 All in favor say aye.

15 (Ayes.)

16 PRESIDENT FECKNER: Opposed say no.

17 ACTING BOARD MEMBER COBB: Abstain.

18 PRESIDENT FECKNER: Please show Mr. Cobb is  
19 abstaining on Item 6b as well for CalHR.

20 Motion carries.

21 BOARD MEMBER COSTIGAN: Agenda Item 7a, approve  
22 the discount rate at 7 percent, corresponding to the  
23 candidate portfolio selected by the Investment Committee;  
24 adopt new actuarial assumptions as presented in the  
25 Experience Study Report to be effective with the June 30,

1 2017, actuarial valuations. Contribution rates are due to  
2 change -- changes in assumptions for the State and schools  
3 will be impacted in the fiscal year 2018-19. Contribution  
4 rates for public agencies will be impacted in fiscal year  
5 2019-20.

6 And use the recommended assumption changes in all  
7 affected member calculations effective as follows: First  
8 A, for service credit purchase applications postmarked on  
9 or after December 20th, 2017, and for retirement  
10 applications dated on or after December 20th, 2017.

11 PRESIDENT FECKNER: On motion by Committee.

12 Any discussion on the motion?

13 Mr. Jelincic.

14 BOARD MEMBER JELINCIC: I'm not real comfortable  
15 with the reduction in inflation. But it's not  
16 unreasonable and so I can support it.

17 The discount rate continues to be very  
18 bothersome. You know, on Monday we heard about the  
19 absolute imperative of funding this system, make sure the  
20 benefits were there to be paid. We were told we can't  
21 take more risk because we are unfund -- funded at only a  
22 68 percent.

23 And I actually argued to take more risk to try  
24 and recapture some of that.

25 So this is approving a plan that says, even if it

1 works as planned, 10 years from now we will be in a worse  
2 funded status, because the portfolio is not going to earn  
3 the discount rate. I don't think that's reasonable,  
4 prudent or fiduciarily sound, so I will be voting against  
5 this item.

6 PRESIDENT FECKNER: Thank you.

7 Seeing no other requests to speak.

8 All in favor of the motion say aye.

9 (Ayes.)

10 PRESIDENT FECKNER: Opposed, no.

11 BOARD MEMBER JELINCIC: No.

12 PRESIDENT FECKNER: Motion carries.

13 BOARD MEMBER COSTIGAN: The Committee received  
14 reports on the following topics:

15 The quarterly status on participating employers  
16 and information regarding statutory changes to the Public  
17 Employees' Health Care Fund and Contingency Reserve Fund.

18 The Chair directed staff to have the CEO, working  
19 with Public Relations -- or Public Affairs, draft  
20 legislation no later than February to exempt school  
21 employees from the current membership requirements and  
22 require enrollment upon hire into a CalPERS position.

23 And in future quarterly reports on participating  
24 employers include number of vested member affected on  
25 benefit reduction slides split into contractual and

1 revenue funding columns on the JPA summary slide.

2           Continue to provide an update on the Herald Fire  
3 Protection District status and work with the General  
4 Counsel on possibly providing more detailed information in  
5 closed session.

6           The Committee heard public comment on the  
7 following topics:

8           The service credit purchase tier conversion  
9 redeposits;

10           Proposed modifications to the replacement and  
11 benefit plan; and

12           Health care administrative expenses.

13           At this time I'd like to share some highlights of  
14 what to expect at the next meeting of the Finance and  
15 Administration Committee in February. We'll have:

16           An update for the employer-employee contribution  
17 rates for judges and legislators;

18           The 2018 State, School and Public Agency Member  
19 Notice of Election;

20           The review of the Committee delegation and second  
21 reading of the amortization policy; and

22           Reporting update on the participating employer  
23 annual diversity and the election results for the 2017  
24 CalPERS member at large.

25           The next meeting will be held in Sacramento,

1 California, on February 13th, 2018.

2 Mr. Feckner, that's my report. Thank you, sir.

3 PRESIDENT FECKNER: Thank you, Mr. Costigan.

4 Item 7d, Performance, Compensation & Talent  
5 Management Committee.

6 For that I call on the Chair, Mr. Bilbrey.

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

8 The Performance, Compensation & Talent Management  
9 Committee met on December 19th, 2017.

10 The Committee received reports on the following  
11 topics:

12 Incentive metrics, discretionary modifier, and  
13 outstanding recommendations for the Executive Compensation  
14 Program.

15 The summary of Committee direction was:

16 The Chair directed nonexecutive staff to conduct  
17 further analysis and work with the Board's executive  
18 compensation consultant to explore the following areas:

19 Provide additional information on the stakeholder  
20 engagement metric ranges;

21 Develop options for a more effective enterprise  
22 operational effectiveness metric;

23 Bring back options to amend the discretionary  
24 modifier;

25 Provide additional information for further

1 discussion on long-term incentive plan options; and

2 Provide additional information and options for  
3 further discussion to address base salary and incentive  
4 levels.

5 Recommendations on these items will be brought  
6 back at the February 2018 Committee meeting.

7 At this time I'd like to share some highlights of  
8 what to expect in February. The Committee will receive  
9 semi-annual status reports on the performance plans of the  
10 CEO and CIO, reviewing the Committee delegation and  
11 receive recommendations for executive compensation policy  
12 revisions.

13 The Committee will also receive information and  
14 recommendations regarding the incentive metrics, long-term  
15 incentive plan options, and base salary and incentive  
16 compensation options.

17 So the next meeting of the Performance,  
18 Compensation & Talent Management Committee is set for  
19 February 13th, 2018.

20 That concludes my report, Mr. President.

21 PRESIDENT FECKNER: Thank you, Mr. Bilbrey.

22 Item 7e, Risk and Audit. There was no meeting,  
23 no report.

24 Item 7f, Board Governance.

25 I'd call on the Chair. Ms. Taylor, please

1 request to speak.

2 Thank you.

3 Ms. Taylor please.

4 BOARD MEMBER TAYLOR: The Board Governance  
5 Committee met on December 18th, 2017.

6 The Committee recommends, and I move, the Board  
7 approve the following:

8 Agenda Item 5, Schedule for 2018 Board Meetings.  
9 Approve the omission of the October Board and Committee  
10 meetings from the Board's 2018 calendar.

11 PRESIDENT FECKNER: On motion by Committee.

12 Any discussion on the motion?

13 Mr. Jelincic.

14 BOARD MEMBER JELINCIC: Well, I obviously don't  
15 have a dog in this fight, so I will abstain.

16 PRESIDENT FECKNER: Very well.

17 Seeing no other requests to speak.

18 All in favor say aye.

19 (Ayes.)

20 Opposed say no.

21 Motion carries.

22 BOARD MEMBER TAYLOR: The Committee discussed the  
23 following topics:

24 The Committee was presented with a draft  
25 educational activity reports for 2017. A final draft

1 report will be presented in a March 2018 Board Governance  
2 Committee consent item.

3 As a follow-up to the parliamentary training at  
4 the July 2017 offsite, the Committee also discussed five  
5 potential modifications to the board and committee meeting  
6 procedures to improve meeting efficiency. The Chair  
7 directed staff to develop formal language for  
8 modifications 1, 2, and 5 to be brought back to the  
9 Committee in March of 2018.

10 The Chair also directed staff to bring back the  
11 standing parking lot agenda item and to place potential  
12 modifications 3 and 4 on the parking lot for discussion at  
13 a future committee meeting.

14 In addition, the Chair asked staff to bring back  
15 draft language for the Board Governance policy pertaining  
16 to Board member compliance with the CalPERS Harassment,  
17 Discrimination, and Retaliation Policy.

18 The next meeting of the Board Governance  
19 Committee is tentatively scheduled for March 20th, 2018,  
20 in Sacramento, California.

21 That's all I have.

22 PRESIDENT FECKNER: Thank you.

23 Brings us to Agenda Item 8, the Proposed  
24 Decisions of Administrative Law Judges.

25 I did want to say for the record that Chirag



1 Shah, the Board's independent counsel for administrative  
2 hearings, is on the phone.

3 Good morning, Mr. Shah.

4 MR. SHAH: Good morning, Mr. President. Happy  
5 Holidays.

6 PRESIDENT FECKNER: And same to you.

7 So if any of the Board members have any  
8 questions, Mr. Shah is here to assist us.

9 With that, I call on Mr. Jones.

10 VICE PRESIDENT JONES: Yeah, thank you,  
11 Mr. President.

12 I move to adopt the proposed decisions at Agenda  
13 items 8a through 8o as the Board's own decisions, with  
14 minor modifications to Agenda Item 8g and 8o as argued by  
15 staff.

16 PRESIDENT FECKNER: On motion -- is there a  
17 second?

18 BOARD MEMBER JELINCIC: Second.

19 PRESIDENT FECKNER: Moved by Jones, seconded by  
20 Jelincic.

21 Any discussion on the motion?

22 Ms. Mathur.

23 BOARD MEMBER MATHUR: Yes, thank you.

24 I would like to take up 8b separately please.

25 PRESIDENT FECKNER: B, as in boy?

1 BOARD MEMBER MATHUR: B, as in boy.

2 PRESIDENT FECKNER: B, as in boy.

3 All right. Item 8b, as in boy, will be taken up  
4 on a separate vote.

5 Seeing nothing else.

6 Motion being before you.

7 All in favor say aye.

8 (Ayes.)

9 PRESIDENT FECKNER: Opposed, no.

10 Motion carries.

11 We're back on Item 8b.

12 Ms. Mathur.

13 BOARD MEMBER MATHUR: Yes. On 8b I would like to  
14 move that we remand this item for the taking of additional  
15 evidence on a possible internal condition.

16 PRESIDENT FECKNER: So you're remanding back to  
17 the --

18 BOARD MEMBER MATHUR: Back to the ALJ.

19 PRESIDENT FECKNER: -- ALJ?

20 BOARD MEMBER MATHUR: Uh-huh.

21 PRESIDENT FECKNER: All right. Is there a  
22 second?

23 BOARD MEMBER TAYLOR: Second.

24 PRESIDENT FECKNER: It's been moved by Mathur,  
25 seconded by Taylor.

1 Any discussion on the motion?

2 All in favor say aye.

3 (Ayes.)

4 PRESIDENT FECKNER: Opposed say no.

5 Motion carries.

6 Thank you.

7 Brings us to Agenda Item 9.

8 Mr. Jones.

9 VICE PRESIDENT JONES: Yeah, thank you,  
10 Mr. President.

11 I move to designate the Sherrie L. Benson  
12 decision at Agenda Item 9a as a precedential Board  
13 decision effective immediately.

14 PRESIDENT FECKNER: Thank you.

15 I've seen no requests from the Board.

16 Is there a second?

17 BOARD MEMBER JELINCIC: Second.

18 PRESIDENT FECKNER: Moved by Jones, seconded by  
19 Jelincic.

20 We have one request to speak from the audience,  
21 Mr. Wesley Kennedy.

22 Please come down on your right, my left, identify  
23 yourself for the record. And you'll have up to three  
24 minutes.

25 MR. KENNEDY: Good morning, President Feckner and

1 members of the Board. My name is Wesley Kennedy. I am  
2 a -- today a concerned retired member of CalPERS.

3 I appear today to speak in opposition to the  
4 Board's request to make the Benson decision precedential.

5 Contrary -- I mean, this is the first time that  
6 this Board to my knowledge has ever moved to recognize an  
7 item, a special compensation that is not specifically  
8 reflected in the PERL or in any regulation promulgated by  
9 this Board. In doing so, the Board breaks and acts -- in  
10 fact, acts in direct conflict with established statutory,  
11 regulatory, and case law, and potentially violates its own  
12 affirmative statutory obligations.

13 Contrary to staff comment, nothing in this  
14 decision limits its applicability to Tehama County or to  
15 similar situated employees. It will be available for use  
16 in all cases concerning special compensation.

17 However, the legal analysis particularly as it  
18 relates to the finding regarding special compensation is  
19 substantially flawed and incomplete and fails to address  
20 even the most basic and germane statutory provisions.

21 For example, the decision finds determinative  
22 that the payment was not made pursuant to a labor policy  
23 agreement but rather by statute. Yet it fails to even  
24 recognize or even discuss section 20049 which in PERL  
25 defines what a labor policy and agreement is, and in doing

1 so includes legislative actions as well as any other  
2 documents that set forth or specify special compensation.

3 Furthermore, and even more troubling, the  
4 decision ignores Government Code Section 20636 subpart C5,  
5 which, with possible exceptions not relevant at all in  
6 this case, provides that no item of compensation may be  
7 characterized as special compensation unless regulations  
8 promulgated by the Board specifically determine the value  
9 to be special compensation.

10 The absence or inapplicability of an existing  
11 regulation is not authority for characterizing an item of  
12 pay as special compensation. And a quasi-judicial  
13 decision, even one made precedential, is insufficient  
14 where there is an affirmative statutory duty to act by  
15 regulation, which is the case here.

16 In fact, it's worthy to note that subpart C6 of  
17 20636 imposes upon this Board that affirmative obligation  
18 to act by regulation whenever it recognizes an item of  
19 special compensation. That's exactly what this decision  
20 does when you make it precedential.

21 In conclusion, while the agency's -- while the  
22 agency's choice to designate an item -- or a decision as  
23 precedential may not be subject to judicial review, the  
24 same cannot be said where such decision is intended to  
25 revise or amend an existing regulation or to adopt a rule

1 that has no adequate legislative basis --

2 PRESIDENT FECKNER: Your time is up, Mr. Kennedy.

3 MR. KENNEDY: -- or act without promulgating --

4 PRESIDENT FECKNER: Thank you.

5 MR. KENNEDY: Okay.

6 PRESIDENT FECKNER: Mr. Shah, do you have any  
7 comments on that, or Mr. Jacobs, either one?

8 Mr. Jacobs is coming to the microphone.

9 MR. SHAH: Okay.

10 GENERAL COUNSEL JACOBS: Yes, good morning,  
11 President Feckner and Board members. Matthew Jacobs,  
12 General Counsel.

13 We respectfully disagree with Mr. Kennedy. The  
14 statute that's at issue explicitly applies only to Tehama  
15 County court reporters, so it's very narrow in that  
16 regard.

17 Mr. Kennedy talks about making this an item of  
18 special compensation by regulation -- or failing to do  
19 that by regulation. But in fact the statute itself, which  
20 is 30-plus years old, makes this -- according to the ALJ,  
21 makes this an item of special compensation. So we're not  
22 concerned that it creates any kind of broad precedent. We  
23 think it's quite limited, as stated in our paper.

24 We don't think it needs to be made precedential,  
25 but we don't see any great risk of making it precedential.

1 But we do not agree with Mr. Kennedy's comments.

2 PRESIDENT FECKNER: Thank you.

3 Mr. Shah, anything to add?

4 MR. SHAH: No, not at this point, Mr. President.

5 I agree with Mr. Jacobs for the most part.

6 PRESIDENT FECKNER: Thank you.

7 All right. Mr. Costigan.

8 BOARD MEMBER COSTIGAN: I just --

9 MR. KENNEDY: May I respond to that?

10 PRESIDENT FECKNER: No, you had your three  
11 minutes, sir.

12 BOARD MEMBER COSTIGAN: Mr. Jacobs, I want to  
13 just make sure I heard you and Mr. Shah correctly.

14 You -- this does not need to be made a  
15 precedential decision in your opinion? Or you don't care  
16 either way?

17 GENERAL COUNSEL JACOBS: No -- well, it does not  
18 need to be made a precedential decision because --

19 BOARD MEMBER COSTIGAN: You just answered my  
20 question.

21 Mr. Shah, you agree as well?

22 MR. SHAH: I think that's a reasonable approach  
23 here if that's the precedence that the Board wants to  
24 take.

25 BOARD MEMBER COSTIGAN: Thank you, Mr. Shah;

1 thank you, Mr. Jacobs.

2 PRESIDENT FECKNER: All right. Motion being  
3 before you.

4 All in favor of the motion say aye.

5 (Ayes.)

6 PRESIDENT FECKNER: Opposed, no.

7 (Noes.)

8 PRESIDENT FECKNER: Well, I'm going to ask for an  
9 electronic vote please.

10 Machine is on.

11 (Thereupon an electronic vote was taken.)

12 PRESIDENT FECKNER: Motion fails.

13 Thank you.

14 Brings us to Agenda Item 10, Petition for -- just  
15 a second.

16 Let me find the microphone.

17 Yes, Mr. Jones.

18 VICE PRESIDENT JONES: I think I need to make an  
19 alternate motion on this item then.

20 PRESIDENT FECKNER: Alternate, correct.

21 VICE PRESIDENT JONES: Okay. I'll move that this  
22 matter for the time being be tabled for pending further  
23 review.

24 BOARD MEMBER COSTIGAN: I'll second.

25 PRESIDENT FECKNER: It's been moved and seconded.



1 Any discussion on the motion?

2 Mr. Jelincic.

3 BOARD MEMBER JELINCIC: Yeah, I see no reason to  
4 table it and bring it back at some point. I mean, if  
5 we've decided we're not going to make it precedential,  
6 we've decided we're not going to make it precedential.  
7 You know, unless there's some reason that people think  
8 that they're going to want to bring it back to reconsider  
9 it.

10 So I would oppose this motion.

11 PRESIDENT FECKNER: Thank you.

12 Mr. Slaton.

13 BOARD MEMBER SLATON: Yeah, just as a point of  
14 order, since we voted not to do this, it would be someone  
15 on the winning side that would have to bring it up to  
16 reconsider or table or anything else, I think.

17 PRESIDENT FECKNER: Mr. Costigan.

18 BOARD MEMBER COSTIGAN: What's procedural on  
19 this? So we default -- I'm just speaking to the motion.  
20 We -- so where does the decision now stand? This is just  
21 against Ms. Benson, it is only applicable to Ms. Benson  
22 and Tehama?

23 GENERAL COUNSEL JACOBS: That's correct.

24 BOARD MEMBER COSTIGAN: Okay. So the underlying  
25 matter is not impacted. I think the question Mr. Jones is

1 raising - and may not be as articulated - is I think we  
2 probably want this briefed as to why this is a -- would be  
3 a precedential decision or not a precedential decision.  
4 And who would brief that?

5           GENERAL COUNSEL JACOBS: Well, it's -- I mean my  
6 view is it's already been briefed. It's briefed for  
7 this --

8           BOARD MEMBER COSTIGAN: And I know sometimes  
9 CalPERS and SPB are different. I sometimes am amazed at  
10 the way we do cases here. It is -- how little time we  
11 actually spend discussing it.

12           It may have been briefed. Obviously it wasn't  
13 briefed to the context both Mr. Jacobs and Mr. Shah, you  
14 had a difference of an opinion. We didn't have an  
15 opportunity to really debate that other than with a  
16 three-minute presentation and you bringing it. And while  
17 it may have been briefed, the question of what's a  
18 precedential decision -- I understand, Ms. Hollinger, that  
19 have been briefs in it.

20           What Mr. Jones is asking is basically a  
21 reconsideration on -- by tabling the issue. So Benson  
22 decision is applicable. The question is, how much further  
23 does the Benson decision go. Correct?

24           VICE PRESIDENT JONES: Yeah.

25           BOARD MEMBER COSTIGAN: So either there is no

1 need for the motion, as Mr. Sla -- although you're at a  
2 different procedural issue, Mr. Slaton, as to who should  
3 make it.

4 Or if you're tabling it, I'm not sure that's a  
5 motion for reconsideration if we're not going to brief it.

6 VICE PRESIDENT JONES: Okay. I will withdraw  
7 that.

8 PRESIDENT FECKNER: Very good.

9 Anything else, Mr. Jacobs?

10 GENERAL COUNSEL JACOBS: No. Thank you.

11 PRESIDENT FECKNER: Thank you.

12 Item 10, Petitions for Reconsideration.

13 Mr. Jones.

14 VICE PRESIDENT JONES: Yeah, thank you,  
15 Mr. President.

16 I move to 1) grant only the employer's petition  
17 for a reconsideration at Agenda Item 10a and remand the  
18 matter for the taking of additional evidence as argued by  
19 staff and 2) deny the petitions for reconsideration at  
20 Agenda items 10b through 10f.

21 BOARD MEMBER MATHUR: Second.

22 PRESIDENT FECKNER: Motion by Jones, second by  
23 Mathur.

24 Any discussion on the motion?

25 Mr. Jelincic.

1 BOARD MEMBER JELINCIC: Yeah, I have some  
2 questions about 10a. So we can pull it or I can ask it  
3 now or whatever you want to do.

4 PRESIDENT FECKNER: Ask it now.

5 BOARD MEMBER JELINCIC: When I look at 10a, the  
6 ALJ said that he was no longer disabled, and that seems to  
7 be established.

8 The petition to reconsideration, is the employer  
9 saying, "Well, he wasn't an employee"?

10 But one of the things that he said in the  
11 petition that everybody read was that he actually had  
12 reinstatement rights. And I don't see that this motion as  
13 it exists gives him the right to also argue that he has  
14 reinstatement rights. It just offers the employer an  
15 opportunity to say he wasn't an employee. And I think  
16 both issues ought -- if we're going to reconsider it,  
17 which probably makes sense, we should reconsider both of  
18 those issues.

19 PRESIDENT FECKNER: Any comments, Mr. Shah?

20 MR. SHAH: Just very briefly. That's a very good  
21 point Mr. Jelincic makes.

22 And in my view, the motion the way it's drafted  
23 currently would permit Mr. -- the member, Mr. Hendee, to  
24 permit -- excuse me -- to present the evidence to the  
25 administrative law judge on this position -- on the

1 reinstatement issue, which would also -- you know, one of  
2 these sub-issues would be whether he had the ability, the  
3 right to go back to be reinstated or not.

4 But I actually don't have a problem with the --  
5 if you want to amend the motion to add that component to  
6 it.

7 PRESIDENT FECKNER: All right. Mr. Jelincic,  
8 anything else?

9 BOARD MEMBER JELINCIC: No. I mean, if it is  
10 agreed that the intent is to allow him to make that  
11 argument as well as the employer could make the argument,  
12 then I'm fine with the motion as long as clear that that's  
13 in fact the intent of this Board.

14 PRESIDENT FECKNER: All right. Seeing no other  
15 requests to speak.

16 All in favor of the motion say aye.

17 (Ayes.)

18 PRESIDENT FECKNER: Opposed, no.

19 Motion carries.

20 Anything else, Mr. Shah?

21 MR. SHAH: No, that's it, Mr. President. Thank  
22 you. It's been a real pleasure working with you.

23 PRESIDENT FECKNER: Thank you. Have a good  
24 holiday.

25 MR. SHAH: Thank you.

1           PRESIDENT FECKNER: Mr. Jelincic.

2           BOARD MEMBER JELINCIC: Mr. Shah, are you still  
3 there?

4           PRESIDENT FECKNER: No.

5           BOARD MEMBER JELINCIC: No. Then I won't thank  
6 you for having worked with us for as long as you have, and  
7 particularly putting up with my questions.

8           PRESIDENT FECKNER: All right. Item 11, State  
9 and Federal Legislation.

10           Ms. Ashley.

11           LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Good  
12 morning, President Feckner and members of the Board. Mary  
13 Anne Ashley, CalPERS team member. I will be presenting  
14 Agenda Item 11, which is an informational item. It is the  
15 State and Federal Legislative Update.

16           The legislative summary is included in your Board  
17 materials for your reference. And since the California  
18 Legislature has not been in session, I'm going to begin  
19 first with the Federal updates.

20           This week Congress been focused on getting a tax  
21 bill to the President. And CalPERS has substantially  
22 weighed in on the bill, particularly in regards to the  
23 unrelated business income tax, or UBIT, provision that was  
24 included in the House bill introduced in November.

25           Throughout consideration of the bill we have made

1 numerous direct contacts to the 14 Republican House  
2 offices in the California congressional delegation,  
3 including Majority Leader Kevin McCarthy and  
4 Representative Devin Nunes.

5 We also contacted key California Democratic  
6 offices, Majority Leader Nancy Pelosi, and Weighs and  
7 Means Committee Members Mike Thompson, Linda Sanchez, and  
8 Judy Chu, as well as senators Dianne Feinstein and Pamela  
9 Harris.

10 And our federal representatives have also worked  
11 daily with NCPERS, NASRA, and NCTR, public sector unions,  
12 and strategically located individual plans throughout the  
13 county.

14 The end result of these efforts is that the UBIT  
15 provision ultimately was not included in the tax bill.  
16 And I would like to acknowledge Gretchen Zeagler for all  
17 her work and efforts and coordinating with our federal  
18 representatives and the national trade associations on  
19 this. This is a major, major success for CalPERS and for  
20 all public pension plans.

21 Yesterday the Senate identified three provisions  
22 in the House-passed version that were in conflict with  
23 Senate rules. Ultimately the Senate removed those  
24 provisions, passed the bill, and it went back to the House  
25 for revote. And I've just received late-breaking news

1 that the House did approve the bill and it is making its  
2 way to the President for signature.

3 Another federal bill that CalPERS has been  
4 engaged on is HR 4015, which is the Corporate Governance  
5 Reform and Transparency Act of 2017. Last month I noted  
6 that CalPERS signed on along with 44 other investors and  
7 investor groups to a letter issued by the Council of  
8 Institutional Investors in opposition to HR 4015. This  
9 week CalPERS also sent a letter to the California  
10 delegates Kevin McCarthy and Nancy Pelosi, also in  
11 opposition to this measure. The measure is scheduled to  
12 be considered by the full House this week.

13 Other bills that we are monitoring and engaging  
14 on are noted on the legislative summary that's included in  
15 your Board materials.

16 And then on the State side, the Legislature will  
17 reconvene on Wednesday, January 3rd. We have refreshed  
18 the Legislative summary to notate all those two-year bills  
19 that we've been monitoring and engaging on that may become  
20 active again and may be moved during the second year of  
21 the two-year cycle.

22 I'd like to note that AB 946 by Assembly Member  
23 Ting, which would have called for divestments relating to  
24 the border wall, it was scheduled to be heard by the  
25 Assembly PERS Committee on January 11th. However, the



1 author has pulled that bill, and we've been informed that  
2 the author no longer intends to pursue that bill relating  
3 to the border wall divestment issue.

4 We also continue to engage with Assembly Member  
5 Nazarian on AB 1597, which calls for divestment from  
6 Turkish investment vehicles. And we'll keep the Board  
7 apprised as to our meetings and opportunities for amending  
8 the bill.

9 January 10th there will be a joint informational  
10 hearing between the Senate and Assembly Retirement  
11 committees. And it is tentatively titled "How  
12 California's Public Pension Funds support California  
13 values while fulfilling their fiduciary obligations."  
14 CalPERS and CalSTRS are invited to participate on a panel  
15 and will be testifying on a panel that is tentatively  
16 titled "Avoiding conflicts between values, investing, and  
17 pension administrators' fiduciary duties - the practical  
18 consequences of different approaches."

19 And then February 16th will be the last day for  
20 new bills to be introduced. And as you know, this year  
21 CalPERS Board has approved sponsoring four bills for  
22 CalPERS. The Legislative Affairs team is currently  
23 working on completing the materials that we will be using  
24 as we go out and seek authors to author our bills.

25 And then in closing, I would like to wish you all

1 a Happy Holiday.

2           And I would like to acknowledge and thank the  
3 Legislative Affairs team for their hard work and  
4 dedication this year. As you know, all four of CalPERS  
5 sponsored measures were signed by the Governor this year.  
6 And this is a reflection of the team's effort and their  
7 hard work and also for the collaborative efforts of  
8 CalPERS program area team managers. So I'd like to say,  
9 thank you, team. Well done.

10           And with that, I'm happy to answer any questions.

11           PRESIDENT FECKNER: Thank you.

12           Mr. Jelincic.

13           BOARD MEMBER JELINCIC: When I look at the panel  
14 that we've been invited to participate in, I notice that  
15 it is not a loaded subject at all, he said sarcastically.  
16 So good luck with that one.

17           On the UBIT, I'm glad that the House part of that  
18 which would have made it taxable did not make it to the  
19 final bill. But there was a Senate provision dealing with  
20 UBIT that dealt with calculation reporting even if the tax  
21 was not required, which would increase administrative  
22 costs. Do we know if that part of it got dropped in the  
23 conference committee as well?

24           LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: I'd  
25 have to go back and confirm if that was left in and then

1 something that the House ultimately voted on and is  
2 included in what's being sent to the President.

3 BOARD MEMBER JELINCIC: Okay. Thank you.

4 PRESIDENT FECKNER: Ms. Taylor.

5 BOARD MEMBER TAYLOR: Yes. Thank you,  
6 Mr. President.

7 I just wanted to take this time to thank our  
8 Legislative staff and you, Mary Anne. Since I've first  
9 started I've noticed that you guys have really stepped up  
10 and really stepped up to the plate and working really,  
11 really hard for CalPERS and its members to make sure that  
12 our Fund's sustainable, that legislation isn't out there  
13 to hurt our members or employers; and I really, really  
14 appreciate the hard work you're doing.

15 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Thank  
16 you very much.

17 PRESIDENT FECKNER: All right. Seeing no other  
18 requests.

19 Thank you.

20 Brings us to Item 12, Summary of Board Direction.

21 Ms. Frost.

22 CHIEF EXECUTIVE OFFICER FROST: Mr. President, I  
23 recorded no new direction other than the Board  
24 modifications made to specific agenda items today and  
25 committee direction.

1           PRESIDENT FECKNER: Thank you.

2           Item 13, Public Comment.

3           Mr. Johnson.

4           MR. JOHNSON: Good morning. My name is Neal  
5 Johnson and I represent SEIU 1000. And the comments I'm  
6 going to make this morning both I think reflect that  
7 organization but also some of my personal comments.

8           And I would ask the Chair to give a little  
9 latitude if I go past the three minutes. I'll try to make  
10 this short, but...

11           Anyway.

12           I want to thank Mr. Feckner for his time as  
13 President of this Board. I think he's done a very good  
14 job of presiding over a series of very disparate,  
15 sometimes Board members with different views and different  
16 personalities, and has made the ship run very well. For  
17 that, I thank you, Mr. Feckner.

18           Ralph Cobb is leaving us. I discovered last week  
19 at Ralph's retirement party that he and I share a common  
20 thing. We are both alums of Cal Poly Pomona. And I want  
21 to thank Ralph, as a said last week, for his guidance, his  
22 help. He's always been approachable. And I want to thank  
23 Ralph and wish him the best of luck in the future.

24           Michael Bilbrey is leaving us unfortunately. I  
25 thought he was always a very good Board member. He was

1 often very quiet, and sometimes you didn't really  
2 understand how he really worked. Obviously in not being a  
3 Board member, I didn't have some of the interactions you  
4 did with him. But clearly he did a very good job both  
5 behind -- behind the, quote, scenes and in the public  
6 forum. We had a few times I didn't necessarily agree with  
7 his position, but I've always respected him. I thought he  
8 has done a very good job and really moves the system  
9 forward.

10           Finally, Mr. Jelincic, who I have known for about  
11 three decades in a series of forums. Sometimes with  
12 the -- sometimes we saw eye to eye and sometimes we did  
13 not, much like his time on this Board and his -- with his  
14 fellow Board members. J.J. can be very contrary, but he  
15 tries to do the right thing. He -- sometimes his approach  
16 is a little bit frustrating, but, you know, that's J.J.

17           Anyway, I really think he's done a very good job  
18 for this Board, for the membership, and I wish him the  
19 best of luck in retirement.

20           J.J., take care.

21           Thank you very much.

22           PRESIDENT FECKNER: Thank you.

23           Mr. Jelincic.

24           BOARD MEMBER JELINCIC: Neal, I want to thank you  
25 for 30 years of experience. And I'm glad you acknowledged

1 that at least once in a while you were right and agreed  
2 with me.

3 (Laughter.)

4 PRESIDENT FECKNER: So seeing no other requests.

5 This comes to the end of our agenda. I just  
6 certainly want to wish everyone a happy holiday regardless  
7 of what your personal persuasion is. I hope everyone  
8 takes time to enjoy family and friends over this holiday  
9 period; and again realizing that the holidays are not the  
10 best of times for everyone. So take a moment to reach out  
11 to some others and maybe make their holidays a little  
12 brighter. And in turn, it also brightens yours as well.

13 So I hope everyone has a safe holiday. If you're  
14 traveling, travel safe, and we'll see you at the offsite.

15 This meeting is adjourned.

16 (Thereupon the California Public Employees'  
17 Retirement System, Board of Administration  
18 open session meeting adjourned at 10:40 a.m.)

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

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 26th day of December, 2017.



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