


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
FINANCE & ADMINISTRATION COMMITTEE**

MINUTES OF MEETING

November 14, 2017



The Finance & Administration Committee met on November 14, 2017, in the Robert F. Carlson Auditorium, Lincoln Plaza Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 1:00 p.m. and the following members were present:

Richard Costigan, Chair
Theresa Taylor, Vice Chair
Matthew Saha for John Chiang
JJ Jelincic
Henry Jones
Bill Slaton
Lynn Pacquin for Betty Yee

Other Board Member(s):

Rob Feckner
Michael Bilbrey
Richard Gillihan
Dana Hollinger
Ron Lind
Priya Mathur

AGENDA ITEM 2 - EXECUTIVE REPORT

Charles Asubonten, Chief Financial Officer, presented the oral report to the Committee.

AGENDA ITEM 3 – ACTION CONSENT ITEMS

Mr. Asubonten presented the Action Consent Item to the Committee for approval.

On **MOTION** by Theresa Taylor, **SECONDED** by Bill Slaton, and **CARRIED**, the Committee approved the Action Consent Item.

Matthew Saha left the dais at 1:08 p.m. and Steve Juarez took his place.

AGENDA ITEM 4 – INFORMATION CONSENT ITEMS

JJ Jelincic requested to pull Agenda Item 4d, 2016-17 Year-End Budget and Expenditure Report for discussion.

The Committee accepted the Information Consent Items as presented.

AGENDA ITEM 5a – 2016-17 BASIC FINANCIAL STATEMENTS

Charles Asubonten, Chief Financial Officer and Kristin Montgomery, Controller, presented the 2016-17 Basic Financial Statements as an Action Item.

On **MOTION** by Henry Jones, **SECONDED** by Theresa Taylor, the Committee recommended the Board approve the Draft CalPERS 2016-17 Basic Financial Statements.

AGENDA ITEM 5b – 2017-18 MID-YEAR BUDGET (FIRST READING)

Mr. Asubonten presented the first reading of the 2017-18 Mid-Year Budget as an Action Item.

On **MOTION** by Theresa Taylor, **SECONDED** by JJ Jelincic, the Committee recommend the Board approve the California Public Employees' Retirement System Fiscal Year (FY) 2017-18 Mid-Year Total Budget of \$1,675,851,000 and 2,875 positions and approve the transmittal of the agenda item to the Joint Legislative Budget Committee, fiscal committees of the Legislature, State Controller and Department of Finance, in accordance with the 2017 Budget Act, and to the Legislative Analyst's Office, Government Operations Agency, and the Office of Legislative Counsel.

AGENDA ITEM 6a – PROPOSED REGULATION FOR EMPLOYER ACTUARIAL LIABILITY SIGNIFICANT INCREASE

Scott Terando, Chief Actuary and Randy Dziubek, Deputy Chief Actuary, presented the Proposed Regulation for Employer Actuarial Liability Significant Increase as an Action Item.

On **MOTION** by JJ Jelincic, **SECONDED** by Henry Jones, the Committee recommended the Board approve the proposed regulation establishing criteria to define a significant increase in actuarial liability due to increased compensation paid to a nonrepresented employee, as specified in Government Cod (GC) Section 20791.

AGENDA ITEM 7a – STATE LEGISLATIVE PROPOSAL: TECHNICAL AMENDMENTS TO THE PUBLIC EMPLOYEES’ RETIREMENT LAW (PERL)

Brad Pacheco, Deputy Executive Officer, Communications & Stakeholder Relations, Mary Ann Ashley, Division Chief, Legislative Affairs Division, Anthony Suine, Division Chief, Benefit Services, and Andy Nguyen, Assistant Division Chief, Pension Contract Management Services, presented the Proposed Regulation for Employer Actuarial Liability Significant Increase as an Action Item.

Public comment was heard from George Linn, Retired Public Employees Association.

At 3:09 p.m. a break was taken.

The committee reconvened at 3:25 p.m.

Public comment was heard from the following:

Neal Johnson, Service Employees International Union, Local 1000
Dillion Gibbons, California Special Districts Association
Dane Hutchings, League of California Cities
Dorothy Johnson, California State Association of Counties

On **MOTION** by JJ Jelincic, the Committee recommended the Board to approve the following:

- Shorten the timeframe in which a contracting agency can voluntarily terminate its participation in CalPERS and require a terminating agency to notify past and present employees of its intention to terminate.
- Allow CalPERS to collect any overpayment made to or on the behalf of any member, former member, or beneficiary from any future CalPERS benefit payment that may be payable.
- Limit the categories of direct authorizations that retirees and beneficiaries may request CalPERS to deduct from their allowances and pay on their behalf.

On **SUBSTITUTE MOTION** by Bill Slaton, **SECONDED** by Theresa Taylor, the Committee recommended the Board approve the following:

- Shorten the timeframe in which a contracting agency can voluntarily terminate its participation in CalPERS and require a terminating agency to notify past and present employees of its intention to terminate.
- Add a Chief Operating Officer (COO) and a Chief Health Director (CHD) to the list of employees for which the Board has authority to set compensation, conditions of employment, and performance standards.

- Allow CalPERS to collect any overpayment made to or on the behalf of any member, former member, or beneficiary from any future CalPERS benefit payment that may be payable.
- Limit the categories of direct authorizations that retirees and beneficiaries may request CalPERS to deduct from their allowances and pay on their behalf.

JJ Jelincic voted NO.

AGENDA ITEM 8a – REVIEW OF ACTUARIAL ASSUMPTIONS

Scott Terando, Chief Actuary and Randy Dziubek, Deputy Chief Actuary, presented the Review of Actuarial Assumptions as an Information Item.

AGENDA ITEM 8b – AMORTIZATION POLICY (FIRST READING)

Mr. Terando and Kelly Sturm, Senior Pension Actuary, presented the first reading of the Amortization Policy as an Information Item.

Public comment was heard from the following:

Dillion Gibbons, California Special Districts Association
 Dorothy Johnson, California State Association of Counties
 Derrick Lennox, School Employers Association of California, Small School Districts Association
 Dane Hutchings, League of California Cities
 Al Darby, Retired Public Employees Association
 Dan Matusiewicz, City of Newport Beach
 Neal Johnson, Service Employees International Union, Local 1000

AGENDA ITEM 8c – SEMI-ANNUAL HEALTH PLAN FINANCIAL REPORT

Gary McCollum, Senior Life Actuary, presented the Semi-Annual Health Plan Financial Report as an Information Item.

AGENDA ITEM 9a – REVIEW OF FINANCE AND ADMINISTRATION COMMITTEE RISK PROFILES

Forrest Grimes, Chief Risk Officer, presented the Review of Finance and Administration Committee Risk Profiles as an Information Item.

AGENDA ITEM 10 – SUMMARY OF COMMITTEE DIRECTION

The chair directed staff to bring back the total benefit reductions for Niland Sanitary District and Trinity County Waterworks District #1 in December.

Update the second reading of the Mid-Year Budget and work with the Department of Finance regarding their concerns on the Contingency Reserve Fund (CRF) and Health Care Finance (HCF) expenditures. In addition, work with the State Controller's Office on the check writing costs.

Provide analysis on the removal of the Replacement Benefit Fund.

In February, present the second reading with options on the Amortization Policy (with real numbers), after conducting a workshop and surveying stakeholders.

Refine language and options for the proposed legislative changes on cancellation of installment payments upon retirement.

AGENDA ITEM 11 – PUBLIC COMMENT

Public comment was heard from Richard Averett, Local Government Services Authority.

The meeting of the Finance & Administration Committee was adjourned at 5:32 p.m.

The next Finance & Administration Committee meeting is scheduled for December 19, 2017, in Sacramento, California.

Prepared by: Tanya Black
Committee Secretary

Date: _____

CHARLES ASUBONTEN
CHIEF FINANCIAL OFFICER