


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

MINUTES OF MEETING

December 19, 2017



The Finance & Administration Committee met on December 19, 2017, in the Robert F. Carlson Auditorium, Lincoln Plaza Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 11:45 a.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 Paquin for Betty Yee

Other Board Member(s):

Rob Feckner
Michael Bilbrey
Danny Brown for 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.

The chair directed agenda item 3a, Approval of the November 14, 2017 Finance & Administration Meeting Minutes be pulled for discussion.

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

JJ Jelincic pulled Agenda Item 3b, Semi-Annual Contracting Prospective Report for discussion.

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

JJ Jelincic voted NO.

The chair directed agenda item 3c, Contracts Administration: Affirmation of Investment Manager Contracts Without Defined Duration be pulled for discussion.

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

AGENDA ITEM 4 – INFORMATION CONSENT ITEMS

The Committee accepted the Information Consent Items as presented.

AGENDA ITEM 5A – 2017-18 MID-YEAR BUDGET REVISIONS (SECOND READING)

Charles Asubonten, Chief Financial Officer, presented the second reading of the 2017-18 Mid-Year Budget Revisions as an Action Item.

On **MOTION** by Lynn Paquin for Betty Yee, **SECONDED** by Theresa Taylor, and **CARRIED**, the Committee recommended 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 – SERVICE CREDIT PURCHASE, TIER CONVERSION, AND REDEPOSITS

Brad Pacheco, Deputy Executive Officer, Communications & Stakeholder Relations, Donna Lum, Deputy Executive Officer, Customer Service & Support, and Don Martinez, Chief Officer, Member Account Management Division, presented the Service Credit Purchase, Tier Conversion, and Redeposits as an Action Item.

On **MOTION** by Bill Slaton, **SECONDED** by Theresa Taylor, and **CARRIED**, the Committee recommended the Board approve sponsoring legislation to require

members who elect to purchase or convert service credit on or after January 1, 2019, to pay any remaining balances on the member's retirement date, or to elect an actuarial equivalent reduction (AER), in lieu of making installment payments into retirement. The same payment options will also be provided to the survivor or beneficiary upon notification from CalPERS following the member's pre-retirement death.

JJ Jelincic voted NO
Henry Jones voted NO

Public comment was heard from Jai Sookprasert, California School Employees Association

AGENDA ITEM 6B – PROPOSED MODIFICATIONS TO THE REPLACEMENT BENEFIT PLAN: ELIMINATION OF REPLACEMENT BENEFIT FUND

Brad Pacheco, Deputy Executive Officer, Communications & Stakeholder Relations, Donna Lum, Deputy Executive Officer, Customer Service & Support, Jan Falzarano, Division Chief, Retirement Research and Planning Division, and Anthony Suine, Division Chief, Benefit Services, presented the Proposed Modifications to the Replacement Benefit Plan: Elimination of Replacement Benefit Fund as an Action Item.

On **MOTION** by Bill Slaton, **SECONDED** by Theresa Taylor, and **CARRIED**, the Committee recommended the Board approve maintaining the status quo in administering the Replacement Benefit Fund.

Public comment was heard from the following:

Dorothy Johnson, California State Association of Counties
Derick Lennox, School Employers Association of California
Letter from Peter Kutras, CalPERS Retiree

At 12:43 p.m. a break was taken.

The committee reconvened at 1:16 p.m.

AGENDA ITEM 7A – REVIEW OF ACTUARIAL ASSUMPTIONS AND DISCOUNT RATE SELECTION

Scott Terando, Chief Actuary and Randy Dziubek, Deputy Chief Actuary, presented the Review of Actuarial Assumptions and Discount Rate Selection as an Action Item.

Mr. Jelincic moved that the Committee adopt a discount rate of 6.25%, but the motion failed for lack of a second. The Committee discussed the best order in which to vote on the three components of staff's recommendation.

On **MOTION** by Henry Jones, **SECONDED** by Theresa Taylor, and **CARRIED**, with one NO vote from Mr. Jelincic, the Committee recommended the Board adopt a discount rate of 7 percent, consistent with Candidate Portfolio C selected by the Investment Committee.

On **MOTION** by Henry Jones, **SECONDED** by Theresa Taylor and **CARRIED**, the Committee recommended the Board approve the following:

- Adoption of new actuarial assumptions as presented in the December 2017 CalPERS Experience Study report to be effective with the June 30, 2017 actuarial valuations. Contribution rates due to changes in assumptions for the State and Schools will be impacted in FY 2018-19. Contribution rates for Public Agencies will be impacted in FY 2019-20.
- Use of the recommended assumption changes in all affected member calculations effective as follows:
 - a) For service credit purchase applications postmarked on or after December 20, 2017.
 - b) For retirement applications dated on or after December 20, 2017.

AGENDA ITEM 8A – REPORTING ON PARTICIPATING EMPLOYERS

Arnita Paige, Chief Officer, Pension Contracts and Prefunding Programs, presented the Reporting on Participating Employers as an Information Item.

AGENDA ITEM 8B – HEALTH CARE ADMINISTRATIVE EXPENSES

Liana Bailey-Crimmins, Deputy Executive Officer, Health Policy and Benefits Branch, and Robert Jarzombek, Chief Officer, Health Account Management Division, presented the Health Care Administrative Expenses as an Information Item.

Public comment was heard from Derick Lennox, School Employers Association of California

AGENDA ITEM 10 – SUMMARY OF COMMITTEE DIRECTION

Have the CEO, working with public relations draft legislation, no later than February, to exempt school employees from the current membership requirements and require enrollment upon hire into a CalPERS position.

In future Quarterly Reports on Participating Employers include:

1. Number of vested members affected on benefit reduction slides.

2. Split into contractual and revenue funding columns on the JPA summary slide.
3. Continue to provide an update on the Herald Fire Protection District status.
4. Work with general counsel on possibly providing more detailed information in closed session.

AGENDA ITEM 11 – PUBLIC COMMENT

No public comment was taken.

The meeting of the Finance & Administration Committee was adjourned at 2:32 p.m.

The next Finance & Administration Committee meeting is scheduled for February 13, 2018, in Sacramento, California.

Prepared by: Tanya Black
Committee Secretary

Date: _____

CHARLES ASUBONTEN
CHIEF FINANCIAL OFFICER