

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
OPEN SESSION

ROBERT F. CARLSON AUDITORIUM
LINCOLN PLAZA NORTH
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SACRAMENTO, CALIFORNIA

WEDNESDAY, MARCH 21, 2018

9:00 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:

Ms. Priya Mathur, President
Mr. Rob Feckner, Vice President
Ms. Margaret Brown
Mr. John Chiang, represented by Mr. Matthew Saha
Mr. Richard Costigan
Mr. Richard Gillihan
Ms. Dana Hollinger
Mr. Henry Jones
Mr. David Miller
Mr. Ramon Rubalcava
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. Matt Flynn, Interim Chief Operating Investment Officer

Mr. Forrest Grimes, Chief Risk Officer

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

ALSO PRESENT:

Mr. Tim Behrens, California State Retirees

Mr. Chris Constantine, City of Chico

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

Mr. Samuel Villalobos

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

2 PRESIDENT MATHUR: Good morning, everyone, and
3 welcome to the CalPERS Board of Administration meeting.
4 I'll bring this meeting to order.

5 First order of business is roll call.

6 BOARD SECRETARY BUCHANAN: Good morning.

7 PRESIDENT MATHUR: Good morning.

8 BOARD SECRETARY BUCHANAN: Priya Mathur?

9 PRESIDENT MATHUR: Good Morning.

10 BOARD SECRETARY BUCHANAN: Rob Feckner?

11 VICE PRESIDENT FECKNER: Good morning.

12 BOARD SECRETARY BUCHANAN: Margaret Brown?

13 BOARD MEMBER BROWN: Good morning.

14 BOARD SECRETARY BUCHANAN: Matthew Saha for John
15 Chiang?

16 ACTING BOARD MEMBER SAHA: Good morning.

17 BOARD SECRETARY BUCHANAN: Richard Costigan?

18 BOARD MEMBER COSTIGAN: Here.

19 BOARD SECRETARY BUCHANAN: Richard Gillihan?

20 BOARD MEMBER GILLIHAN: Here.

21 BOARD SECRETARY BUCHANAN: Dana Hollinger?

22 BOARD MEMBER HOLLINGER: Here.

23 BOARD SECRETARY BUCHANAN: Henry Jones?

24 BOARD MEMBER JONES: Here.

25 BOARD SECRETARY BUCHANAN: David Miller?

1 BOARD MEMBER MILLER: Here.

2 BOARD SECRETARY BUCHANAN: Ramon Rubalcava?

3 BOARD MEMBER RUBALCAVA: Good morning. Here.

4 BOARD SECRETARY BUCHANAN: Good morning.

5 Bill Slaton?

6 BOARD MEMBER SLATON: Here.

7 BOARD SECRETARY BUCHANAN: Theresa Taylor?

8 BOARD MEMBER TAYLOR: Good morning.

9 BOARD SECRETARY BUCHANAN: Good morning.

10 And Lynn Paquin for Betty Yee?

11 ACTING BOARD MEMBER PAQUIN: Here.

12 PRESIDENT MATHUR: Thank you. We have a full
13 complement.

14 The next order of business is the Pledge of the
15 Allegiance, and I've asked Dana Hollinger to lead us in
16 the Pledge.

17 (Thereupon the Pledge of Allegiance was
18 recited in unison.)

19 PRESIDENT MATHUR: Well, that brings us to the
20 President's Report.

21 I want to begin by thanking my colleagues and all
22 of the CalPERS team members who joined us on Monday
23 evening for our annual CalPERS night with the Kings. This
24 is a tradition that was started by predecessor Rob Feckner
25 a few years ago. In spite of the Kings falling to the

1 Detroit Piston 106 to 90, it was a great night, as some of
2 our CalPERS team members and their children were on the
3 floor to give a high five to Kings players as they came
4 onto the court. I hope everyone enjoyed the time
5 together. I know I did. And we'll be organizing another
6 outing in the spring to watch our local baseball team, the
7 Sacramento River Cats. So stay tuned.

8 Regarding the July offsite, I want to let our
9 stakeholders know that we have finalized a location. And
10 we will meet July 16th to the 18th at the Crowne Plaza
11 Hotel in Concord, California. Information about the hotel
12 can be found on their website, crowneplazaconcord.com.
13 That's crown request an E.

14 Now, turning now to our meetings this week. I'd
15 like to address our discussions around the future of our
16 work on environmental, social, and governance issues.
17 This is a topic that is key to the long-term
18 sustainability of the fund. As a Board Member of the
19 United Nations Principles for Responsible Investment, I
20 have seen firsthand the positive financial impact that ESG
21 investment strategies have had on CalPERS and many
22 prominent institutional investors. The data and
23 strategies outlined by our Investment team lay the
24 groundwork for our advocacy with more than 11,000
25 companies that we invest with.

1 In 2017, we engaged with more than 500 companies
2 on the issue of diversity alone. And research is clear
3 that diversity on corporate boards and within executive
4 teams drives outperformance. We were all so successful in
5 our engagements on climate risk reporting with several
6 large oil companies, and helped launch the Climate Action
7 100+ initiative to advance climate reporting with more
8 than 250 other major investors. And that is to ensure
9 that these companies consider climate in their business
10 scenario and risk scenario planning moving forward.

11 I think it's important to note that our
12 commitment to ESG rests on the positive impact it has in
13 driving risk-adjusted returns. Critics of our work will
14 try and tell you otherwise. But you have a commitment
15 from this Board that our focus is on strengthening the
16 fund.

17 And finally, I want to close by acknowledging the
18 women who serve on this Board and work on the CalPERS
19 team. It's women's history month, and CalPERS is proud to
20 have so many women in leadership positions across the
21 organization. In fact, when I was first elected to this
22 Board in 2003, I was the sole woman on the Board. Today,
23 I'm proud to say that we have five women sitting on this
24 Board.

25 (Thereupon an overhead presentation was

1 presented as follows.)

2 BOARD MEMBER MATHUR: In recognition of
3 International Women's Day on March 8th, three CalPERS
4 women rang the opening and closing bells for gender
5 equality at the stock exchanges around the globe.

6 As you can see from the pictures, and I think
7 they're up there, Anne Simpson, our Investment Director
8 for Sustainable Investments was at the New York Stock
9 Exchange, Invest Manager Dianne Sandoval was in San
10 Francisco, and I was at the London Stock Exchange.

11 You may have also seen a series of social media
12 posts highlighting the women on our Board and executive
13 team. It was an honor for us to participate in this day,
14 and represent all the women here at CalPERS.

15 And now, I'd like to turn it over to our CEO,
16 Marcie Frost, for her report.

17 Marcie.

18 CHIEF EXECUTIVE OFFICER FROST: Thank you. And
19 good morning, President Mathur and member of the Board.

20 Just to repeat a little bit of what President
21 Mathur has already covered this morning. On Monday, our
22 agenda for the Investment Committee was primarily composed
23 around our environmental, social, and governance, or ESG,
24 strategies.

25 On Tuesday, we discussed the work that's being

1 done with our health programs, and also had a meeting of
2 our Governance and Performance and Comp Committee.

3 And then today, we'll give you an update on
4 enterprise performance reporting. An enterprise
5 performance reporting platform is really to give you an
6 indication of how we are implementing the five-year
7 strategic plan, whether we're on goal/off goal, on
8 target/off target, as well as getting a bit of a view into
9 the operations and the key performance indicators by which
10 we measure our success on the operational side.

11 I'll also share some feedback that we've been
12 receiving from member and stakeholder groups as we've been
13 out talking to organizations around the state.

14 So let's begin with investments. Again, we had a
15 good discussion about the role that ESG plays in our
16 investment decisions. Our Beliefs and policies provide
17 the teams with the framework that they need to engage and
18 ensure that we have strong risk-adjusted returns for the
19 long term. While we also have to recognize the short term
20 due to our current funded status. So we have to have a
21 long-term view, but recognize that we have short-term
22 risks that we always have to be mindful of.

23 Again, at the heart of these policies is our core
24 mission, and our primary duty of paying benefits for
25 generations to come. And we strive to get focused with

1 specific actions by which we can measure our performance.
2 I do understand that members and stakeholders, again as
3 I've been out talking with a number of groups throughout
4 the State, there is some view that ESG is not having a
5 positive impact on returns, and that it's taking us away
6 from our core mission, or that we're using our voice more
7 as a large investor to champion social change. But we see
8 our policies as a method and a tool to manage risk as well
9 as opportunity.

10 Because CalPERS is a long-term investor, we want
11 the companies we have an ownership stake in to be
12 successful. And we think our voice is very important in
13 order to have those companies run and align to the value
14 system that we have here at CalPERS. CalPERS is not alone
15 in our ESG practices. We have several organizations that
16 are much aligned with our mission and our views. And
17 we're a part of several investor networks around the globe
18 that share concerns that we would have over the long term.

19 We know that when we work together, a combined
20 voice is stronger than a single voice. So we will
21 continue to the outreach that we have with other
22 organizations who again have an alignment of mission and
23 purpose.

24 As we move forward with the proxy season
25 proposals, which we talked about on Monday, we'll also be

1 able to provide more detail about which ESG issues in
2 particular we've been successful with, and how that adds
3 to the fund's financial position.

4 And on Tuesday, I just wanted to make a brief
5 remark about the decision that was -- that happened in
6 governance on retaining the transcripts. I talked with
7 the team last night, and what we think is the most
8 proactive next step to take, and it was based on some
9 comments that Mr. Miller provided, as well as comments
10 that came in from public commenters, is that as we put the
11 agendas out on our website, and archive those agendas, we
12 will attach the court reporter style transcripts to those
13 agendas. That way stakeholders are not having to contact
14 CalPERS to get a copy. They can do basically a
15 self-service directly from our website. So we appreciate
16 the input and the ideas from Mr. Miller and our
17 stakeholders.

18 Moving on now to this month's Health Program
19 agenda. You had the chance to hear the first reading of
20 the Health Beliefs. As you know, we've had a couple of
21 workshops around the Health Beliefs. And I think we're
22 really down to fine-tuning the language. And we'll bring
23 those back for a second reading with the, I would say,
24 really minor changes that were discussed yesterday.

25 You also discussed the new value-based insurance

1 design plan for the PERS Select PPO plan. With Board
2 approval today, it will be offered for the 2019 open
3 enrollment period later this year.

4 And these are innovative approaches and in
5 collaboration with other State programs, like "Healthier U
6 Connections" and "Let's Get Health California", these
7 again are important efforts to foster engagement for
8 members to be more responsible and to really think about
9 their personal health outcomes, and what they're trying to
10 achieve. And it's our responsibility that we have
11 programs that would help them to achieve their personal
12 health outcomes.

13 Excuse me.

14 We will plan -- we did hear from the Committee,
15 and we will plan to closely monitor the participation over
16 the two-year pilot and report out on a regular basis on
17 how well we think that pilot is going or if we're seeing
18 any problems with a pilot, we'll certainly be able to
19 reported those out to you.

20 Moving on to a summary of some of the speaking
21 engagements we've been participating in. I want to talk
22 about a couple of those in particular. We did attend the
23 California State Municipal Finance Officers annual
24 meeting, and I was joined by our CFO Charles and one of
25 our Deputy State Actuaries, Fritzie. And to -- we were a

1 keynote group talking about some of the changes that we've
2 been making here at CalPERS, and the impacts of those
3 changes on the public employers.

4 In general, I would say that there was much
5 support for the decisions. Although, they are difficult.
6 There was support for the decisions that are being made.
7 There was understanding around the discount rate and why
8 that had to happen. There was understanding of why the
9 Amortization Policy had to change. Because these -- this
10 is a finance organization, they understood that we have to
11 have sound financial policies at CalPERS.

12 And now the next steps will be really to help the
13 employers understand the impacts to their own budgets on
14 how they forecast and predict the costs moving forward. A
15 ton of compliments coming in for the actuarial team, so
16 I'd like to also recognize the actuaries for their
17 continued work and support of the employers that came
18 across loud and clear. One of our actuaries was actually
19 called a rock star while I was there. That was Julian.

20 So the other was I met also with ACC-OC's group,
21 or the Orange County Chapter of the California Association
22 of Cities. And their I was joined by Senator Moorlach and
23 we were taking about the health of pension plan. And
24 obviously, we have some different views, but also very
25 respectful of one another's opinions. It was a group

1 again that's concerned about the sustainability of the
2 fund, but I think was very appreciative again of the tough
3 decisions being made at CalPERS as a way to offer that
4 sustained health of the fund in the long run.

5 And this is the second time that I've had the
6 opportunity to meet with this group. I really do
7 appreciate that they continue to reach out and ask us to
8 participate. There are times that we're obviously saying
9 things that are not the most popular things for them to
10 hear, but they are hearing us and continuing to work with
11 us.

12 I also had the pleasure of addressing pension
13 fund leaders for CALAPRS, which as I understand it is
14 really most of the county funds. And Donna Lum - I think
15 I reported out to you already - is the CALAPRS President
16 for this year. And what they asked me to speak about was
17 really leadership and how leadership principles and
18 behaviors lead to better team engagement. And so I was
19 able to talk about some of the work that I brought with
20 me, as well as some work that we've been able to do at
21 CalPERS.

22 I also show -- was able to show the video that
23 our team put together on the three leaders who had really
24 taken this call to action about taking one of the five
25 principles and putting those within their teams, and

1 getting feedback, and that was very well received by this
2 group.

3 And then finally, It was my pleasure to attend
4 the Our Promise Breakfast -- thank you breakfast. And I
5 did accept the position of chairperson for this next
6 year's campaign. And so I do look forward to working with
7 other State leaders and maybe finding opportunities for
8 this Board to get involved to help United Way and the
9 communities and thousands of well-deserved organizations
10 that are operating here in California. And I do have a
11 few ideas on how to get things started.

12 And before I close with the fund's investment
13 performance, I'd like to talk a little bit about the
14 growing strength of the fund. And these are the talking
15 points that I've really had a positive impact on the
16 audiences that -- who I've been speaking with.

17 At the end of calendar year 2017, our funded
18 status had moved up to approximately 71 percent, and the
19 market value of the fund stood at just about \$350 billion.

20 And despite the recent volatility in the markets,
21 it's grown a little more since then. The fact that the
22 funded status had moved from 64 percent to 71 percent over
23 a approximate 12- to 14-month period of time, that was
24 data that most of the stakeholders, most of the members of
25 the system did not know.

1 And if you talk to anyone in our contact center,
2 or anyone having direct member conversations, the number
3 one concern our members have is whether their benefit is
4 safe. So this data is helping to support that there is a
5 plan to move forward to full funding, the plan is working,
6 and again, it's that tough decisions have to be made by
7 CalPERS. And we'll work closely with our employer
8 partners to make sure that they can successfully implement
9 some of those decisions.

10 So a couple other points that we're talking
11 about. The positive cash flow. We were scheduled to
12 continuing negative cash flow, but we are in positive cash
13 flow. That is really a by-product of additional
14 contributions coming in, and one contribution in
15 particular from the State, the \$6 billion that came
16 through the State and the legislature.

17 And I think that's a prime example of what we're
18 working with the employers on right now on how do we help
19 them find methods and tools to pay down their UAL. If you
20 really think about the system and the root cause of some
21 of the contribution rates not being sustainable or
22 affordable, the UAL is the primary contributor to it. And
23 so we need to continue to find tools and resources that
24 the employers can use to help manage those UAL payments.

25 So we have highlighted five achievements that

1 have happened over the last year. We are putting those
2 into our own report. We are putting the finishing touches
3 on that report. I'll get it out to all of you within the
4 next two weeks. We'll get it out early to our
5 stakeholders as well. And then we plan on using that for
6 all future speaking engagements, and really a focus area
7 over the next two months, where Brad and others have me
8 scheduled for a number of visits important visits.

9 So I know that you'll agree we do still have
10 serious work ahead, but I do think there was some relief
11 in talking with the employers that there wasn't going to
12 be -- there wasn't anything currently scheduled that would
13 have an impact on rates, no significant policy decisions.

14 And that, along with the data, I think was good
15 news to the employers and the members who we've been
16 speaking with.

17 And then finally, I'll provide you a brief update
18 on the performance of the Public Employees Retirement Fund
19 as of January 31st of 2018. The total fiscal year-to-date
20 performance is 10.9. The one-year return is 17. The
21 three-year return is 8.6. The five-year return is 9. The
22 10-year return run is 5.6, and the 20-year return is 6.7.

23 And that does conclude my remarks, and I'm happy
24 to take any questions you might have.

25 PRESIDENT MATHUR: Thank you.

1 Well, you know, in communications or
2 conversations that I have, and I know other Board members
3 have with our constituents and with other stakeholders,
4 there is great appreciation for the amount of outreach and
5 communication that's coming out of CalPERS today around
6 these issues that are really material and important to our
7 members. So I appreciate the leadership you've shown
8 around that. Thank you very much.

9 We do have a question from the committee.

10 Ms. Brown.

11 BOARD MEMBER BROWN: Thank you, Madam Chair.

12 Ms. Frost, I just want to say thank you very much
13 for hearing the stakeholders comments yesterday, and
14 agreeing to attach transcripts making them self-service.
15 Not only will that save time for the stakeholders in
16 making those Public Records Act requests, but it will also
17 save our staff time, both PR and Legal, from trying to
18 fulfill them or trying and figure out exactly what they
19 mean. I think it's welcome in the spirit of Sunshine Week
20 and transparency. So thank you very much for hearing
21 them.

22 CHIEF EXECUTIVE OFFICER FROST: Yeah. Thank you.

23 PRESIDENT MATHUR: Thank you.

24 Okay. That brings us to Agenda Item number 5,
25 which is the action consent items, approval of the

1 February Board of Administration meeting minutes, and the
2 Board travel approvals. There is a revised 5b in your
3 folders.

4 What's the pleasure of the Committee?

5 BOARD MEMBER JONES: Move it.

6 PRESIDENT MATHUR: Motion made by Mr. Jones.

7 BOARD MEMBER TAYLOR: Second.

8 PRESIDENT MATHUR: Seconded by Taylor.

9 Any discussion on the motion?

10 Seeing none.

11 All those in favor say aye?

12 (Ayes.)

13 PRESIDENT MATHUR: All opposed?

14 Motion passes.

15 We have had no requests to pull anything off of
16 the consent information item.

17 So that brings us to Agenda Item number 7,
18 Committee reports. First, I'll call on the Chair of the
19 Investment Committee, Mr. Jones.

20 BOARD MEMBER JONES: Thank you, Madam President.
21 The Investment Committee met on March the 19th, 2018. The
22 Committee approved the following:

23 Agenda Item 5a, to recommend for consideration by
24 the Board of Administration that the current Investment
25 Committee Delegation remain in place with no changes; and

1 Agenda Item 5b, to approve the proposed revisions of Real
2 Assets Program Policy, second reading.

3 The Committee received reports on the following
4 topics:

5 Consultant review of ESG integration; the ESG
6 strategic plan update; an update on the Governance and
7 Sustainability Principles; and the corporate governance
8 update on proxy voting, shareowner campaigns, and
9 corporate engagement.

10 The Chair directed staff to do the following:

11 To bring back a review of the gun manufacturers
12 and retailers with options for divestment scheduled to be
13 taken up in 2019; to bring back a discussion of pros and
14 cons of corporate board diversity, quota percentages
15 versus our principle-based system at a future meeting; to
16 bring back an update in April on staff research on
17 non-voting shares and benchmarks, and the timeline for
18 review the procedures; and to bring back a proposed
19 revision of Governance and Sustainability Principles for
20 human capital management practices regarding effective
21 policies for sexual harassment, discrimination, and
22 retaliation in April.

23 The Committee heard public comment on:

24 Support of Wilshire's con -- Wilshire's
25 recommendation and staff work on ESG integration; support

1 of Governance and Sustainability Principles, including
2 geopolitical risk; and, fiduciary responsibility of
3 sustainable investments.

4 At this time, I'd like to share some highlights
5 of what to expect at the April Investment Committee
6 meeting:

7 Review and proposed policy revisions to the
8 Supplemental Income Plans asset allocation; and, the first
9 reading of the revisions to the Total Fund Policy.

10 The next meeting of Investment Committee is
11 scheduled for April 16, 2018 in Sacramento, California.
12 And that concludes my report, Madam President

13 PRESIDENT MATHUR: Thank you very much.

14 That brings us to the next agenda item, Agenda
15 Item 5b -- sorry 7b, Pension and Health Benefits Committee
16 Report. I call on Mr. Feckner, the Chair.

17 VICE PRESIDENT FECKNER: Thank you, Madam
18 President.

19 The Committee recommends and I vote -- the
20 Pension and Health Committee met on March 20th, 2018.

21 The Committee recommends and I move that the
22 Board approve the following:

23 Agenda Item 5, approve staff's recommendation to
24 approve the PHBC Delegation, attached, for Board of
25 Administration consideration and approval at the Board

1 meeting.

2 PRESIDENT MATHUR: On motion by Committee.

3 Any requests to speak?

4 Seeing none.

5 All those in favor say aye?

6 (Ayes.)

7 PRESIDENT MATHUR: Any -- all opposed?

8 Motion passes.

9 VICE PRESIDENT FECKNER: Agenda Item 6, approve
10 staff's recommendation to approve the proposed value-based
11 insurance design for the PERS Select basic plan for the
12 2019 plan year.

13 PRESIDENT MATHUR: On motion by Committee.

14 Any discussion on the motion?

15 Seeing none.

16 All those in favor say aye?

17 (Ayes.)

18 PRESIDENT MATHUR: Motion passes.

19 VICE PRESIDENT FECKNER: The Committee received
20 reports on the following topics:

21 The annual retired members cost-of-living
22 adjustment; the Health Beliefs first reading; and the
23 current activities of the 2019 to '23 Health Maintenance
24 Organization health plan solicitation.

25 The Chair directed staff to investigate enhanced

1 member capabilities that compare health plan benefits; and
2 to provide quarterly updates on PERS Select value-based
3 insurance design beginning March 2019.

4 At this time, I'd like to share some highlights
5 of what to expect at the April PHBC meeting. The
6 Committee will review the second reading of the Health
7 Beliefs and hear information on pharmacy reference
8 pricing.

9 The next meeting of the PHBC is scheduled for
10 April 17th, 2018 in Sacramento, California.

11 That concludes my report, Madam President.

12 PRESIDENT MATHUR: Thank you.

13 We had no Finance Committee meeting this month.

14 For Agenda Item 5d, I will call on the Chair of
15 that Committee, Mr. Slaton.

16 BOARD MEMBER SLATON: Thank you, Madam President.

17 The Performance, Compensation and Talent
18 Management Committee did meet on March 20th.

19 The Committee recommends and I move on Agenda
20 Item 3b, approve the proposed changes to the Executive
21 Compensation Policy.

22 PRESIDENT MATHUR: Forgive me.

23 BOARD MEMBER SLATON: That's all right.

24 PRESIDENT MATHUR: On motion by Committee.

25 Sorry. On motion by Committee.

1 Any discussion on the motion?

2 Seeing none.

3 All those in favor say aye?

4 (Ayes.)

5 PRESIDENT MATHUR: Motion passes.

6 BOARD MEMBER SLATON: Thank you.

7 On Agenda Item 5, review of the Performance,
8 Compensation and Talent Management Committee delegation,
9 we discussed the proposed changes to that delegation. We
10 did have some amend -- an amendment to it, and we're
11 putting that forward for the Board of Administration's
12 consideration and approval at the May 2018 Board meeting.

13 Agenda Item 6, which was review of the Chief
14 Executive Officer's compensation plan. The Committee
15 directed team members to bring back an action item in May
16 2018 with options for a fixed compensation model,
17 including information on a 457(f) plan option.

18 The Chair directed staff to bring back changes to
19 the Executive Compensation Policy resulting from changes
20 to the Committee delegation once they're adopted by the
21 Board.

22 Of course, we do have -- we have the delegation
23 and we have the policy, and they interrelate with each
24 other. So they -- we need to make sure they always stay
25 in synch.

1 The Committee heard public comment on the
2 following topic:

3 Neal Johnson, SEIU 1000 took a moment of personal
4 privilege to thank Board Members for comments at the
5 Investment Committee meeting about developing talent for
6 team members below decision-making levels.

7 At this time, I'd like to share some highlights
8 of what to expect at the May Performance, Compensation and
9 Talent Management Committee meeting:

10 Recommendations on fiscal year 2018-19 incentive
11 metrics; and a discussion on pay design and philosophy for
12 positions covered by the Executive Compensation Policy.

13 The next meeting of the Performance, Compensation
14 and Talent Management Committee -- we ought to -- maybe we
15 can get a shorter name for this Committee.

16 (Laughter.)

17 BOARD MEMBER SLATON: -- Is scheduled for May
18 15th, 2018 in Sacramento, California. And that completes
19 my report.

20 PRESIDENT MATHUR: Thank you very much. Before I
21 turn to the Vice Chair of the Board Governance Committee
22 on Agenda Item 7f, we do have a request to speak on this
23 item, so I'll ask Mr. Behrens to please come forward at
24 this time.

25 Mr. Behrens?

1 MR. BEHRENS: 7f.

2 PRESIDENT MATHUR: This is 7f, Board -- oh,
3 sorry, we're not doing Risk and Audit Committee, so
4 we're -- forgive me. We're skip -- we don't have -- we
5 didn't have a Risk and Audit Committee meeting this month,
6 so on 7f, please

7 MR. BEHRENS: Madam Chair, members of the Board,
8 Tim Behrens President of the California State Retirees.
9 Speaking against the recommended again action to make
10 those changes in Board Governance that would, in my
11 opinion, reduce the ability of all the Board members to
12 speak -- to speak as long as they needed to speak. I
13 think diversity of thought is a very strong part of being
14 a good board. And not having a lively debate, because
15 they could be cutoff because of time constraints, I think
16 is not the best direction for this Board to take.

17 I've been on many boards over the last 50 years,
18 both as Chairperson and as board members. And while there
19 were times that I would like to have cutoff debate as the
20 Chairperson, I think that the debate needs to go on. I
21 think that it's in the best interests of the stakeholders
22 for the Board to all have an opportunity to speak.

23 I would recommend maybe you think about having
24 some time certain agenda items in the future. If it's a
25 time certain agenda item, and you know it's a hot-button

1 item that a lot of people want to participate, including
2 the stakeholders, then you would already have that time
3 set aside to take extra time and to give people extra time
4 to participate and debate the issue.

5 Thank you.

6 I would like to take this opportunity to also
7 thank Marcie and her staff for fixing a issue for one of
8 our stakeholders who had a reduction in his pension by
9 about \$1,500, because of two-day SNAFU in his department.
10 And when he got a hold of Marcie and the staff at CalPERS,
11 in a couple of days they fixed the problem. He's now
12 receiving his full pension as he should, and I want to
13 thank Marcie and her staff personally.

14 Thank you, Marcie.

15 PRESIDENT MATHUR: Thank you very much, Mr.
16 Behrens.

17 Ms. Hollinger.

18 BOARD MEMBER HOLLINGER: Thank you. The Board
19 Governance Committee met on March 20th, 2018.

20 The Committee elected Priya Mathur as Chair, and
21 Dana Hollinger as Vice Chair of the Committee. The
22 Committee recommends and I move the Board approve the
23 following:

24 Agenda Item 7, approve the proposed revision to
25 the Board Governance Policy regarding each Board member's

1 responsibility for promoting a harassment-free and
2 discrimination-free workplace at CalPERS.

3 PRESIDENT MATHUR: On motion by the Committee.

4 Any discussion on the motion?

5 All in favor say aye?

6 (Ayes.)

7 PRESIDENT MATHUR: All opposed?

8 Motion passes.

9 BOARD MEMBER GILLIHAN: Agenda Item 8, approve
10 the continuation of the current practice of engaging a
11 court reporter for and ordering transcriptions of all
12 Board and Committee meetings.

13 PRESIDENT MATHUR: On motion by Committee.

14 Any discussion on the motion?

15 Seeing none. All those in favor say aye?

16 (Ayes.)

17 PRESIDENT MATHUR: All opposed?

18 Motion passes.

19 The Chair directed staff to:

20 Bring back the revisions to the Board Governance
21 Policy formalizing the three procedures to govern meetings
22 of the Board and its committees, with the amendments to
23 the language regarding the practice to ensure that all
24 Board members have a chance to speak before calling on a
25 member who has already spoken, so as to clarify that

1 Committee members should all have a chance to speak before
2 other Board members present during committee meetings;

3 Review the Board Governance Policy to identify
4 policy sections that don't have a corresponding process in
5 place and to bring the findings back for discussion. In
6 addition, the Chair directed the team to work with her to
7 look into developing a Chair training;

8 Review the policies of other State agencies
9 regarding harassment by board members, and to develop a
10 process for investigating harassment allegations against a
11 Board member as well as potential forms of censure;

12 Bring back specific language for the "Views
13 Expressed" disclaimer to insert in the Board Governance
14 Policy;

15 And an item to the parking lot for the
16 Committee's future consideration of a requirement that a
17 Board member obtain Board approval before the member
18 speaks to a national or international audience, when it's
19 clear that the Board member is invited to speak because of
20 their membership on the CalPERS Board.

21 The Committee heard public comment on the
22 following topics:

23 Revisions to Board Governance Policy regarding
24 meeting procedures; terminating the current practice of
25 using a court reporter for and ordering transcriptions of

1 all Board and Committee meetings.

2 At this time, I would like to share some
3 highlights of what to expect at the May Board Governance
4 Committee meeting:

5 An update on Form 700 compliance; the annual
6 review of the CEO delegation; and the process for
7 third-party assessment of Board performance (Board
8 Governance Policy, Section XI.D).

9 The next meeting of the Board Governance
10 Committee is tentatively scheduled for May 15th, 2018 in
11 Sacramento, California.

12 Thank you.

13 PRESIDENT MATHUR: Thank you very much.

14 Mr. Costigan.

15 BOARD MEMBER COSTIGAN: I wanted to -- I have a
16 question before we get to the cases.

17 PRESIDENT MATHUR: You have a question before --

18 BOARD MEMBER COSTIGAN: I may have hit too soon,
19 yes.

20 PRESIDENT MATHUR: Okay. So we're going to move
21 on to Agenda Item number 8 you have a question?

22 BOARD MEMBER COSTIGAN: Before we take it up, I'd
23 like to separate item 11 out.

24 CHAIRPERSON MATHUR: Item 11?

25 BOARD MEMBER COSTIGAN: I'm sorry, I just want --

1 I may have hit my microphone too soon. Before we take up
2 the decisions before us, please call on me.

3 VICE PRESIDENT FECKNER: What number?

4 PRESIDENT MATHUR: It's -- there's 8a through l.

5 BOARD MEMBER COSTIGAN: I'm sorry, it's item --
6 on my agenda right here, my apologies, it's 11. It's
7 Agenda Item 8k, Catherine Campos. She came before the
8 State Personnel Board, so I'd like to separate that item
9 out. We upheld her termination, so I'm not going to vote
10 on this item.

11 PRESIDENT MATHUR: Okay. Thank you very much,
12 Mr. Costigan.

13 8k. Mr. Gillihan.

14 BOARD MEMBER GILLIHAN: Thank you, Madam Chair.
15 I'd like to -- before we get to it, I'd like to make a
16 motion that we remand case 8a for additional evidence.

17 PRESIDENT MATHUR: Okay. Is there a second to
18 that motion?

19 BOARD MEMBER COSTIGAN: Second.

20 PRESIDENT MATHUR: Motion was seconded by -- was
21 that Mr. Saha -- or Mr. Costigan. Made by Mr. Gillihan,
22 seconded by Mr. Costigan.

23 So on that motion. Any -- that we remand 8a for
24 the taking of additional evidence. Is there specific --
25 sorry, Mr. Gillihan, did you want to specify what type of

1 evidence?

2 BOARD MEMBER GILLIHAN: Yeah. If you read Mr.
3 Shah's summary, it appears that the person's IME wasn't
4 able to provide testimony at the hearing, and it's not
5 clear in the decision why that is, and wasn't, for
6 whatever reason, able to return for a second day. So I
7 just feel like they didn't get a fair hearing. And that's
8 also sort of implied in Mr. Shah's luke warm endorsement
9 of the decision.

10 PRESIDENT MATHUR: So for the taking of
11 additional medical evidence.

12 BOARD MEMBER GILLIHAN: Yeah.

13 PRESIDENT MATHUR: Thank you.

14 Okay. So the motion is before you. Any
15 discussion on the motion?

16 Seeing none.

17 All those in favor say aye?

18 (Ayes.)

19 PRESIDENT MATHUR: All those opposed?

20 Motion passes. Now, I'll call on Mr. Feckner.

21 VICE PRESIDENT FECKNER: Thank you, Madam
22 President.

23 I move that the Board adopt the proposed
24 decisions at Agenda Items 8b through 8h and 8j and 8l as
25 the Board's own decision with the minor modifications

1 argued by staff to Agenda Items 8f and 8j.

2 PRESIDENT MATHUR: Is there a second to the
3 motion?

4 BOARD MEMBER TAYLOR: Second.

5 PRESIDENT MATHUR: Motion was seconded by Mr.
6 Taylor.

7 Any discussion on the motion?

8 PRESIDENT MATHUR: Seeing none.

9 All those in favor say aye?

10 (Ayes.)

11 PRESIDENT MATHUR: All those opposed?

12 Motion passes.

13 VICE PRESIDENT FECKNER: I move that the Board
14 remand Agenda Item 8i for the taking of additional
15 evidence as argued by staff.

16 PRESIDENT MATHUR: Is there a second to the
17 motion?

18 BOARD MEMBER MILLER: Second.

19 PRESIDENT MATHUR: Seconded by Mr. Miller.

20 Any discussion on the motion?

21 Seeing none.

22 All those in favor say aye?

23 (Ayes.)

24 PRESIDENT MATHUR: All opposed?

25 Motion passes.

1 VICE PRESIDENT FECKNER: I move that the Board
2 adopt the proposed decision of Agenda Item 8k as the
3 Board's own decision.

4 PRESIDENT MATHUR: Mr. Costigan, did you want
5 to --

6 BOARD MEMBER COSTIGAN: I'm just repeating that
7 I'm not voting.

8 PRESIDENT MATHUR: You're just not going to vote
9 on it. Okay.

10 Any discussion -- oh, is there a second to the
11 motion?

12 BOARD MEMBER TAYLOR: Second.

13 PRESIDENT MATHUR: Seconded by Ms. Taylor.

14 Any discussion on the motion?

15 Seeing none.

16 All those in favor please say aye?

17 (Ayes.)

18 PRESIDENT MATHUR: All those opposed?

19 Motion passes. And please note that Mr. Costigan
20 did not vote on that item.

21 PRESIDENT MATHUR: That brings us to Agenda Item
22 number 9. Mr. Jacobs.

23 GENERAL COUNSEL JACOBS: Good morning, Chair
24 Mathur and Board members. This item pertains to the
25 selection process for the Board's independent counsel for

1 Office of Administrative Hearing matters -- administrative
2 matters for the next five years.

3 As stated in the agenda item, the current
4 provider of that service, Mr. Shah, that contract expires
5 on May 31. The Board's policy is to not have contracts go
6 beyond five years without special approval. So we came --
7 so in November, at the Board President's direction, the
8 Legal Office issued the solicitation for this position
9 of -- for the next five years. And we received four
10 proposals, two of which we collectively deemed viable.
11 And by collectively, I mean, we spoke with the Board
12 President, Ms. Mathur.

13 And so the proposal before you is to create an ad
14 hoc committee to interview the two viable candidates,
15 review their written materials, and then make a selection.
16 And the idea here is basically to save Board time, to
17 streamline what is rather a clunky process of having
18 people come before the full Board and do these interviews
19 when they're faced with 13 folks to respond to. So
20 basically to avoid that awkward interview process, and to
21 streamline the process, so that we could move along, and
22 to have a new contract in place when this one expires at
23 the end of May.

24 PRESIDENT MATHUR: Thank you. This is an action
25 item. What's the pleasure of the Committee?

1 BOARD MEMBER GILLIHAN: Move staff
2 recommendation.

3 PRESIDENT MATHUR: Moved by Mr. Gillihan,
4 seconded --

5 BOARD MEMBER HOLLINGER: Second.

6 PRESIDENT MATHUR: -- seconded by Ms. Hollinger.
7 Any discussion on the motion?

8 Seeing none.

9 All those -- oh, sorry, Mr. Costigan, one moment.

10 BOARD MEMBER COSTIGAN: I'm sorry. I don't have
11 the materials. What I see is the General Counsel's -- is
12 an information consent item. What --

13 PRESIDENT MATHUR: It's Agenda Item number 9.

14 BOARD MEMBER COSTIGAN: Nine. Okay. I just
15 want -- I'm a little behind on this one.

16 Okay. Thank you. I was --

17 PRESIDENT MATHUR: Thank you.

18 On motion -- there's a motion before you. All
19 those in favor say aye?

20 (Ayes.)

21 PRESIDENT MATHUR: All those opposed?

22 (No.)

23 PRESIDENT MATHUR: Motion passes.

24 Sorry, was that a no?

25 BOARD MEMBER BROWN: Yes.

1 PRESIDENT MATHUR: Please note Ms. Brown's no.
2 That brings us to Agenda Item number 10 -- thank
3 you very much, Mr. Jacobs. That brings us to Agenda Item
4 number 10, State and Federal legislation update.

5 Ms. Ashley.

6 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Good
7 morning, Madam President and members of the Board. Mary
8 Anne Ashley, CalPERS team member.

9 This State and federal legislative update is an
10 informational item, and the legislative summary is
11 available in your Board materials for your reference. As
12 anticipated, there were many, many bills that were
13 introduced by the February 16th bill introduction
14 deadline. And the updated legislative summary notes,
15 those bills that we are currently monitoring and working
16 with CalPERS program areas to identify the full potential
17 impact to CalPERS and its members.

18 And I'd like to highlight just a few of those
19 bills. AB 1912 By Assembly Member Rodriguez relating to
20 joint power agreements and liability. This bill was
21 recently amended, and it would, among other things,
22 eliminate the ability of JPAs to specify in their joint
23 powers agreement that the debts, liabilities, and
24 obligations of the JPA shall not be those of its member
25 agencies. It would make all current and former JPA member

1 agencies jointly and severally liable for its debts to a
2 public retirement system. It would prohibit CalPERS from
3 contracting with a JPA whose member agencies do not accept
4 joint and several liability.

5 It would remove the authority of the Board to not
6 reduce member benefits as their employer's assets and
7 liabilities are moved into the Terminated Agency Pool.
8 And it would require CalPERS to file civil action against
9 termination JPA member agencies to compel payment of its
10 obligations. And it would allow CalPERS to recover
11 attorney fees.

12 AB 2571 by Assembly Member Gonzalez Fletcher
13 would prohibit a public investment fund from making new,
14 additional, or renewed investments in an alternative
15 investment vehicle if it is managed by an inter -- excuse
16 me, investment manager that has not adopted and committed
17 to comply with a race and gender pay equity policy.

18 We've met with the sponsors of the measure, and
19 we plan on engaging with the member along with CalSTRS to
20 provide education and discussion potential amendments to
21 the bill.

22 SB 1022 is our own sponsored terminating agency
23 process bill. The bill will most likely be heard in the
24 Senate PERS Committee at the beginning of April. And we
25 are currently working with the member's consultants and

1 some stakeholders on potential amendments to the bill to
2 address some stakeholder concerns.

3 As I mentioned in my last update, Senator
4 Moorlach did introduce three pension-related bills, SB
5 1031, 1032, and 1033. We are currently watching these
6 bills closely, as well as working with our program areas
7 to identify the full impact to CalPERS. All three bills
8 have been referred to the Senate PERS Committee. However,
9 they have not yet been set for hearing.

10 SB 1149 by Senator Glazer would, among other
11 things, allow specified new State employees the option to
12 participate in a defined contribution plan, in lieu of
13 mandatory membership in CalPERS defined benefit plan.
14 CalPERS is working on identifying the cost of this bill
15 and the total impact. And we are also engaging with our
16 stakeholder groups, and the author's office. And this
17 bill is set to be heard in the Senate PERS Committee on
18 April 9th.

19 SB 1413 by Senator Nielsen, it was introduced on
20 February 16th. And it's currently in a spot bill format.
21 However, we anticipate the bill will potentially be
22 amended to authorize CalPERS to establish a separate
23 section 115 Trust through which eligible California public
24 agencies -- agency employers would be able to prefund
25 their future annual contributions. We're currently

1 working with stakeholders on the concept and providing
2 technical assistance on the language.

3 And then SB 964 it's not noted on the legislative
4 summary as it was just amended March 14th. This is
5 actually a reintroduction of last year's SB 560 relating
6 to climate-related financial risk reporting. CalSTRS and
7 CalPERS team members have been engaging and meeting with
8 the member's office, and working on amendments that will
9 achieve the goal of the author and also be consistent with
10 CalPERS Investment Beliefs and principles.

11 The legislature goes on spring recess beginning
12 tomorrow at the end of session, and will reconvene April
13 2nd. So our sponsored bills and other bills that we are
14 closely monitoring will be set for hearing in April when
15 the legislature reconvenes from break.

16 On the federal side a lot is taking place as
17 well. A considerable amount of discussion surrounds the
18 omnibus bill. Congress has until March 23rd to strike a
19 deal on a federal spending plan that would fund the
20 government through the end of September. We will closely
21 monitor any developments from this bill that could
22 potentially impact CalPERS and our members.

23 There has also been several regulatory bills that
24 have moved through the Senate that are of interest to
25 CalPERS. On March 14th, the Senate passed S 2155, which

1 is the Economic Growth, Regulatory Relief, and Consumer
2 Protection Act. This bill would make several changes to
3 the Dodd-Frank Act and other financial regulations.

4 In December 2017, CalPERS sent a letter to
5 Chairman Mike Crapo and Ranking Member Sherrod Brown
6 urging inclusion of three House Bills in S 2155 that had
7 passed the House Financial Services Committee or the full
8 House on a bipartisan basis.

9 Additionally, CalPERS also opposed several
10 measures, which has -- which have thus far been excluded
11 from this Bill, S 2155, including HR 4015, which is the
12 Corporate Governance Reform and Transparency Act that
13 would be dealing with proxy advisory firms.

14 In February, CalPERS team members, along with K&L
15 Gates, made visits to key congressional members reminding
16 them of our support and inclusion of the House provisions
17 in S 2155, and also our opposition to HR 4015. As it now
18 stands, the measures that CalPERS has supported are
19 include in S 2155, and the measures that CalPERS has
20 opposed have been excluded.

21 For the next steps, it's possible that the Senate
22 may simply pass the Senate bill -- or, excuse me, the
23 House may simply pass the Senate bill or a House Senate
24 Conference Committee could be convened to reconcile the
25 differences between the House and Senate versions.

1 We will continue to monitor any further
2 developments on this and keep the Board updated.

3 Within the health care arena on March 15th four
4 congressional representatives, including California
5 Congressman Ami Bera launched the bipartisan Health Care
6 Invocation Caucus, which will work to advance a
7 legislative agenda that encourages innovative policy ideas
8 to improve quality of care and lower costs for consumers.

9 And then lastly, CalPERS is closely monitoring S
10 2526, which is the Retirement Enhancement and Savings Act
11 of 2018, or otherwise known as RESA, which is aimed at
12 solving the multi-employer pension crisis, and increasing
13 voluntary retirement savings by giving employers
14 incentives to make it easier for their employees to save.

15 We don't believe that this bill has a direct
16 impact to CalPERS. However, as I mentioned, we will
17 continue watching this bill as it moves.

18 And with that, I would be happy to answer any
19 questions.

20 PRESIDENT MATHUR: Thank you.

21 We do have a few questions from the Board.

22 Mr. Jones.

23 BOARD MEMBER JONES: Yeah. Thank you, Madam
24 President.

25 Ms. Ashley, I just want to thank you and the team

1 for moving aggressively on the JPA legislation, because as
2 we know the sponsoring agencies on previous JPAs that they
3 were not liable for the financial requirements of those
4 JPAs. And so we certainly need this protection, so that
5 the -- that they will remain solvent, so that it doesn't
6 put at risk our members not being able to receive their
7 pensions for the rest of their lives.

8 So thank you for moving on that right away.

9 PRESIDENT MATHUR: Thank you very much, Mr. Jones
10 Ms. Taylor.

11 BOARD MEMBER TAYLOR: Yes. Thank you.

12 I also want to thank you and your staff for the
13 work you guys do, because there's so much legislation.
14 It's just amazing you can get through it.

15 But what I wanted to also ask you was on the
16 optional membership for new State employees bill, the 1149
17 Glazer bill, you stated you're monitoring that.

18 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY:

19 Um-hmm.

20 BOARD MEMBER TAYLOR: And you also stated that
21 you were doing some research in terms of what the would
22 cost. Is that an analysis of what that would mean to the
23 pension fund cost?

24 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Yes.
25 So we're -- we're compiling an analysis of the full impact

1 to CalPERS.

2 BOARD MEMBER TAYLOR: Okay. Because it's my
3 understanding that as we pull employees out into another
4 fund, essentially what you're doing is weakening the
5 pension fund. So I would assume that after the
6 analysis -- and I don't know how fast this is moving, but
7 that we would be opposed to this legislation.

8 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: (Nods
9 head.)

10 BOARD MEMBER TAYLOR: Okay. That's what I
11 thought.

12 Thank you.

13 PRESIDENT MATHUR: Thank you. I see no further
14 requests to speak. So thank you very much, Mr. Ashley.

15 LEGISLATIVE AFFAIRS DIVISION CHIEF ASHLEY: Thank
16 you.

17 PRESIDENT MATHUR: That brings us to Agenda Item
18 11, Enterprise Performance Reporting, second quarter
19 report.

20 (Thereupon an overhead presentation was
21 presented as follows.)

22 PRESIDENT MATHUR: Are you leading?

23 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
24 HUTCHINS: Hi. Yes.

25 PRESIDENT MATHUR: Hi. Good morning.

1 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
2 HUTCHINS: Good, Madam President and members of the Board.
3 Sabrina Hutchins, CalPERS team member.

4 Today, I'm joined by several of our executive and
5 senior leaders to provide you with a second quarter review
6 of our Enterprise Performance Report.

7 Many of you will recall from our July 2017
8 off-site, we had a comprehensive review around all of the
9 components within this reporting framework, which included
10 our strategic measures, our business plan initiatives, and
11 our key performance indicators. We then also followed up
12 with our first quarter report in November of last year.

13 What we want to share with you today is focused
14 on those indicators in this quarter that are either at
15 risk or off target. And those components this time around
16 are specifically related to a few business plan
17 initiatives.

18 So a little background before we jump in.

19 --o0o--

20 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
21 HUTCHINS: The framework that this system works within
22 aligns back to our foundation, which captures our mission,
23 our vision, and our values, and in the simplest terms
24 represents who we are and what we want to achieve.

25 This includes our strategic plan goals and

1 objectives, and our outcome measures, which highlight our
2 high level operational expectations.

3 --o0o--

4 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

5 HUTCHINS: Depicted on this slide is a high level visual
6 of our Enterprise Performance Management System, which
7 involves the development, implementation, monitoring and
8 reporting, and ad hoc refinements of these metrics that
9 support our mission.

10 The intent of this system is to reinforce
11 CalPERS' desire to be transparent and accountable in
12 support of our goals, objectives and operational
13 expectations. The focus of our discussion here today and
14 plans for future reporting will be focused on the
15 strategic side of the house, which again encompasses our
16 strategic measures and our business plan initiatives.

17 And as this system incorporates a significant
18 amount of information and data, you do have the full
19 details within your agenda item package, which includes
20 our operational reports. And the team is prepared to take
21 questions as they come up.

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. This is attachment A within your package,
2 and you also received a hard copy today to correct an
3 omission.

4 This map reflects the overlay of our status
5 indicators that are red, yellow and green. Additional
6 details for each of these indicators can be found within
7 your attachments.

8 As this is an iterative process, I do want to
9 clarify the other indicators you see in this view, which
10 first is pending refresh, which means a baseline is
11 established, and a metric is awaiting completion of a data
12 refresh cycle. If data is not available, then your
13 detailed summary sheet will tell you when it will be
14 available. And lastly, if underdevelopment is noted, then
15 efforts are currently underway to solidify our
16 methodology.

17 Our review and analysis of second quarter
18 information identified that three of our 37 strategic
19 measures refreshed with updated data to provide new status
20 indicators and all of those are reflecting green, which is
21 on target. Of the 37 business plan initiatives, we have
22 three that are either at risk or off target. And we'll
23 discuss those in more details with you in just a few
24 moments. You will also have an update related to our
25 Information Security Office indicators within closed

1 session today.

2 So as members of our executive team speak to the
3 initiatives, they will be providing information regarding
4 root causes for these indicators, as well as potential
5 constraints and mitigation strategies currently underway.

6 Please keep in mind that this report is a
7 reflection of status as of December 31st. However, this
8 is a good example of how we plan to report on topics that
9 are relevant and in the forefront of our strategic
10 priorities.

11 You can also find a summary of our criteria that
12 identifies how we determine our status indicators and hold
13 ourselves accountable, specifically related to business
14 plan initiatives, and that's page one of attachment D.

15 So with that, I'm going to turn it over to Brad
16 to discuss our first initiative that's related to our
17 reduced complexity goal.

18 DEPUTY EXECUTIVE OFFICER PACHECO: Thank you,
19 Sabrina. Good morning, Madam President and Board members.
20 Brad Pacheco, CalPERS team. I appreciate the opportunity
21 to update you on our digital communications strategy
22 business plan initiative and provide some context as to
23 why we have labeled it at risk.

24 I'd like to take a moment and step back and
25 remind the Board and our stakeholders about the focus of

1 this initiative. For us, internally, this is about three
2 R's. It's about reach, response and reputation. And
3 we're working on new and innovative ways to increase our
4 reach, response and reputation by leveraging technology,
5 data, and digital trends. What we know is by enhancing
6 our digital delivery, we are going to exponentially be
7 smarter about what our members and employers want and
8 need.

9 We'll have the ability to deliver faster and more
10 timely communications, and we'll know how our members and
11 employers access the information, when they read it, and
12 how they were directed to the content.

13 When we initially outlined this business plan
14 initiative and strategy, we were ambitious, but we
15 believed that our objectives were achievable within the
16 deadlines that we had set.

17 Among our goals was to research and propose a
18 customer service management system that we had anticipated
19 we could have in place by the end of this fiscal year.
20 What we learned in our research is that implementing a
21 true system of this kind is a journey of miles, rather
22 than just steps.

23 And there's also a cost associated with having
24 such a system. So we're concentrating our focus on
25 transforming our current communication practices in

1 preparation for an integrated system in the future.

2 And we're on track to achieve two deliverables,
3 and significant improvements. We've developed a
4 communication dashboard that you will all soon be seeing,
5 that will be used to provide our leadership and you
6 enhanced communication reports about our reach, response,
7 and reputation.

8 We're also on track to pilot three products
9 digitally, including our flagship newsletter PERSpective
10 that is sent to all members. If you attended our Benefit
11 Education Event in Sacramento, you might have seen our
12 team conducting member interviews on the product that we
13 developed for them. And I believe Mr. Feckner
14 participated in that as well.

15 Our plan is to launch these products in 2019 once
16 we gather some more stakeholder input. You know, our
17 ultimate goal in our work is to provide all of our members
18 and stakeholders with rich, interactive content, and
19 deliver it in a way that they want to receive it. And
20 that does include not only digital, but print as needed.

21 So just in closing, while we have made some
22 incremental changes to our strategy based on what our
23 research is telling us, we haven't lost sight of our
24 overall goal to improve communication. So with that, I'm
25 happy to take any questions.

1 PRESIDENT MATHUR: Thank you. I have no requests
2 from the Board. Thanks very much, Mr. Pacheco.

3 CHIEF RISK OFFICER GRIMES: Good morning, Madam
4 President and Board members. Forrest Grimes, CalPERS
5 team.

6 I'm reporting on the enterprise data management
7 initiative intended to strengthen how data is shared
8 internally to make sure CalPERS team members are speaking
9 the same language regarding data, and to ensure that
10 information we provide to our external staining is
11 accurate and consistent.

12 This initiative is presently at risk for the
13 following reason: Some of the key team members shifted
14 focus to completion of the CAFR during this reporting
15 period, putting us behind schedule on some key
16 deliverables, including establishing an oversight
17 committee and creating a charter.

18 We do have some wins to report however. In
19 compiling a data dictionary --

20 PRESIDENT MATHUR: Mr. Grimes, I'm sorry to
21 interrupt you, could you just move your mic a little
22 closer to you.

23 Thank you.

24 CHIEF RISK OFFICER GRIMES: Oh, certainly. I'm
25 sorry. Sorry.

1 PRESIDENT MATHUR: Thank you.

2 CHIEF RISK OFFICER GRIMES: We do have some wins,
3 which include establishing data stewards throughout the
4 enterprise and also establishing a data dictionary of
5 CalPERS terms.

6 Our next steps to get back on track include
7 establishing the steering committee position within our
8 senior leadership council governance umbrella, and further
9 refining of data management rules and responsibilities
10 throughout the enterprise.

11 With that, I will see if you have any questions.

12 PRESIDENT MATHUR: Thank you very much.

13 Any questions from the Board.

14 Seeing none, we can proceed.

15 Thank you very much.

16 DEPUTY EXECUTIVE OFFICER HOFFNER: Good morning,
17 Madam President and Board Members.

18 PRESIDENT MATHUR: Good morning.

19 DEPUTY EXECUTIVE OFFICER HOFFNER: Doug Hoffner,
20 team member.

21 Today, we're reporting an item in red, so --
22 related to talent management. About a year ago, working
23 with Ms. Frost, we developed and revised the leadership
24 competency measures within the organization. Seven
25 measures were developed for four levels of management

1 leadership within CalPERS.

2 This initiative is really about taking that next
3 step in providing and developing those core competencies
4 for all of the team members throughout the organization.

5 We're looking to bucket that into about four
6 different areas, not by classification necessarily, but
7 sort of by the work related to what they do at CalPERS.

8 We had an ambitious about to have that work
9 completed essentially by December. We missed that target.
10 We are working collaboratively with Mr. Gillihan's CalHR
11 and the teams related to civil service improvement related
12 to competencies. There's a lot of work the State has been
13 doing with higher education and others, particularly the
14 community college level to ensure that the workforce of
15 the future has these competencies from an educational
16 background as well.

17 So we're looking to build that into the work that
18 we're doing. And effectively now, we're crosswalking
19 those competencies from our leadership -- competencies
20 that were developed to all the team members. And we're
21 confident to do that -- to be developed by April, and then
22 in place by the June target deadline.

23 PRESIDENT MATHUR: Thank very much.

24 Any questions from the Board?

25 I have just one question, and it might not be

1 directly correlated to core competencies, but --

2 DEPUTY EXECUTIVE OFFICER HOFFNER: Sure.

3 PRESIDENT MATHUR: And I sort of asked this
4 question a little bit on Monday also. But when there are
5 opportunities for a staff -- a team member to exhibit
6 leadership, how -- do we have a process in place
7 internally for how those leadership opportunities are --
8 people can compete to lead them? Just, you know, how are
9 people selected to sort of develop -- you know, because
10 leadership opportunities are an opportunity to develop
11 more skills and to exhibit competencies, anyway.

12 DEPUTY EXECUTIVE OFFICER HOFFNER: Sure. I guess
13 two points on that. So we have instituted a pilot right
14 now - we'll have the conclusion of that in April - for
15 emerging leaders. And so effectively we took, and I don't
16 remember the number. I think it was 24 individuals
17 competitively selected through the organization to put
18 them in a role of what the leadership would look like in
19 that first level.

20 We had, I think, 45 individuals that applied for
21 that process. Before we moved forward, we wanted to make
22 sure the pilot was effective. We'll know the outcomes of
23 that in a month or so. But I think that's going to give
24 people a real taste of what that work looks like, and
25 that's just an initial step.

1 We also developed a system called the Illuminet,
2 which you may be familiar with this from about two years
3 ago, which gives people the opportunity, the team members,
4 to basically provide sort of a LinkedIn feel, a system
5 internally for the skill sets that they have.

6 And so while the were hired for a specific job
7 with a specific duty statement, what we found, and the
8 team members have told us is, they're clearly much broader
9 than that, right? This skill sets and the other
10 attributes and credentials and higher education degrees
11 they may have may fully retain to that job that they have
12 today. How could they express that to us.

13 And that's really opened up and developing into
14 a mentor/mentee relationship, where they can go on beyond
15 just the people they work with on a day-to-day basis to --
16 but to put those skill sets out there for the rest of the
17 organization, should other projects come along that we
18 need those resources for.

19 And that gives us an opportunity to engage with
20 their management to understand what their workload is
21 like. But it also broadens the ability to earn from
22 others across the organization. So not a mandate by any
23 means, but definitely an opportunity for them to engage
24 with us in a way that's really about the fuller person,
25 the talents they bring to this organization beyond the job

1 that they were hired for originally.

2 PRESIDENT MATHUR: I really appreciate the
3 efforts that you and the organization are making in this
4 regard. I think it is essential that, you know, people
5 get these leadership opportunities, not just because they
6 know somebody, or they already have a relationship, or are
7 already comfortable with somebody, but because they have
8 had an oppor -- you know, each person has had -- who's
9 interested has had an opportunity to sort of express what
10 their talents are.

11 DEPUTY EXECUTIVE OFFICER HOFFNER: And maybe I'll
12 give you one more example.

13 PRESIDENT MATHUR: Yeah.

14 DEPUTY EXECUTIVE OFFICER HOFFNER: And this goes
15 back several years. But sort of the idea factory we use
16 internally to look at leaning the organization and getting
17 feedback and input from the employees and the team
18 members, that really -- that initial discussion that
19 occurred a couple years ago was born out of feedback from
20 several different teams.

21 And so as they identified an opportunity to make
22 change, they also raised their hand to participate. And
23 so we used a broad spectrum of team members across the
24 organization irrespective of their level or duty statement
25 within the organization to participate.

1 And there was, I think, three or four specific
2 team groups that were developed in response to the
3 feedback we heard from them from a survey. And that has
4 spun off into this kind of idea where we're -- we're
5 continuing to engage and get information from our team
6 members about improvements and opportunities to make
7 CalPERS a better place.

8 PRESIDENT MATHUR: Terrific. Thank you.

9 Let me call on Mr. Miller.

10 BOARD MEMBER MILLER: Hi. Thank you.

11 I just want to say I really appreciate seeing
12 kind of the -- these glimmers of movement and
13 enlightenment to approaches that are not the same old
14 State government workforce planning and strategic planning
15 approaches that we've had here since well before Governor
16 Wilson's tenure.

17 And to moving to something that's more of an
18 actual strategic workforce planning model that's really
19 looking at what are we trying to do and accomplish,
20 what are -- what do we need in terms of those activities
21 that we need to perform, and what we need to accomplish,
22 rather than these kind of Vietnam war era models of
23 classifications and, you know, position-based planning,
24 that really tends to perpetuate the same kind of
25 organizational bureaucracy and not create the organization

1 of the future.

2 And so having been very much engaged with these
3 topics for 30-plus years, I really want to commend
4 CalPERS. And also the potential for that collaboration
5 with CalHR and with Secretary Batjer's folks and
6 everything is really encouraging to see some movement
7 toward a more enlightened and effective approach.

8 PRESIDENT MATHUR: Thank you very much, Mr.
9 Miller.

10 That concludes the questions from the Committee.
11 Do you have anything else, Ms. Hutchins?

12 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
13 HUTCHINS: No, just next steps. We plan to see you in
14 July as far as an agenda item to report on third quarter
15 updates and highlight some of our overall organizational
16 successes.

17 PRESIDENT MATHUR: Terrific. Thank you very
18 much.

19 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
20 HUTCHINS: Thank you.

21 PRESIDENT MATHUR: That brings us to Agenda Item
22 number 12, Summary of Board Direction.

23 Ms. Frost.

24 CHIEF EXECUTIVE OFFICER FROST: I recorded one,
25 and that was related to Item 8a for the taking of

1 additional medical evidence, and that was it.

2 PRESIDENT MATHUR: Okay. Terrific.

3 I didn't catch anything either.

4 That brings us to Agenda Item number 13, Public
5 Comment. We have do two members of the public who wish to
6 speak Samuel Villalobos and Chris Constantine. If you
7 could please come forward, take a seat here to my left.
8 The mic is on for you. If you could identify yourself and
9 your affiliation for the record. You'll have three
10 minutes to speak.

11 And just a reminder that you cannot speak about
12 any item that is before the ALJ or the Board at this time.

13 You may sit. There are two seats here.

14 Again, just a reminder, that you may not speak
15 about any item that is before the Board or the ALJ at this
16 time.

17 Mr. Villalobos.

18 MR. VILLALOBOS: Going with the theme that you
19 have discussed earlier, appreciation of women in the
20 workforce, especially here at CalPERS, I want to publicly
21 thank my wife Olivia Villalobos, and my daughter, my
22 sister, and my entire family who have unconditionally
23 supported me in expressing my support for the proposed
24 decision on Agenda Item 8i. I am not here --

25 PRESIDENT MATHUR: I'm sorry, you can't have --

1 MR. VILLALOBOS: I am not here to discuss the
2 argument of Agenda Item 8i, just to qualify it. What I am
3 here to discuss is the proposed -- the procedural summary.

4 PRESIDENT MATHUR: I'm sorry. I don't believe
5 you can speak to any portion of 8i.

6 MR. VILLALOBOS: Well, then -- well, if that be
7 the case, then I hope that you allow me to distribute to
8 the Board members --

9 PRESIDENT MATHUR: Sir, I cannot, I'm afraid.
10 We've remanded this back to the ALJ for the taking of
11 additional evidence.

12 MR. VILLALOBOS: Okay. Then I simply want to go
13 on public record that I am going to be asking the Board to
14 reconsider agenda item --

15 PRESIDENT MATHUR: We -- I'm sorry, sir. We
16 cannot -- we cannot hear anything with respect to Agenda
17 Item 8i.

18 MR. VILLALOBOS: Okay. Limited to the three
19 minutes, and I'm going to keep in that vein. I'm simply
20 going to attempt one more time to ask you to reconsider
21 that item.

22 PRESIDENT MATHUR: I'm sorry, sir. I cannot -- I
23 can -- you cannot testify at this time with respect to
24 Agenda Item 8i.

25 MR. VILLALOBOS: Once again then I will hold -- I

1 will hold -- I will hold staff --

2 PRESIDENT MATHUR: I'm sorry we'll have to turn
3 the microphone off now at this time. I'm sorry, sir. We
4 cannot take any testimony with respect to 8i. Thank you
5 very much for being here.

6 MR. VILLALOBOS: Thank you very much.

7 PRESIDENT MATHUR: Thank you.

8 Mr. Constantine.

9 MR. CONSTANTINE: Good morning. My name is Mr.
10 Chris Constantine. I'm the Assistant City Manager and
11 City Auditor for the City of Chico, California, a CalPERS
12 member. Prior to that, I served as the CFO, HR Director
13 and IT Director for the City. I also served as the
14 Assistant City Auditor for the City of San Diego, and an
15 audit manager for the City of San Jose, and for 13 years
16 as an elected board member with the West Valley-Mission
17 Community College District, another CalPERS member.

18 The reason I come here before you is to give you
19 a debt of gratitude. I attended the Investment Committee
20 yesterday -- two days ago -- was it two days ago?

21 PRESIDENT MATHUR: Two days ago.

22 MR. CONSTANTINE: Yesterday.

23 PRESIDENT MATHUR: Two days ago.

24 MR. CONSTANTINE: I was here all day during the
25 Investment Committee meeting. It was a very long and

1 productive meeting. But the item that I took note of,
2 because our employees are very interested in the
3 retirement decisions that CalPERS has the authority and
4 power to make over, was the issue of whether or not to
5 divest from investments that involve firearms.

6 While it was a very emotional and tough meeting
7 for you as Board members, given the number of victims and
8 families of victims that came before you, I applaud you
9 for sticking to the most important aspect of what your job
10 was, and that is the ultimate viability and sustainability
11 of the plan.

12 I also want to give an appreciation to your CEO,
13 Marcie Frost, who has welcomed us to -- on one-on-one
14 meetings with her, in terms of understanding what we can
15 do as an agency to help CalPERS achieve the goal of fiscal
16 sustainability. We will continue to be your partner, and
17 we will continue to support you in your efforts to ensure
18 that that plan is sustainable forever.

19 Thank you very much and have a great afternoon.

20 PRESIDENT MATHUR: Thank you very much for your
21 comments.

22 That brings us to Agenda Item number 14. This
23 morning, we have two substantive -- sorry. I should,
24 before I move to Agenda Item 14, is there any other member
25 of the public who wishes to speak at this time.

1 Okay. Thank you.

2 This morning, we have two substantive items in
3 closed session, an update on litigation matters, and a
4 cybersecurity update involving staff's work to protect the
5 system. Unlike the closed session item for litigation
6 matters, in order to hold a closed session to consider
7 matters posing a potential threat of criminal activity
8 against CalPERS property or equipment, including
9 electronic data, and where disclosure could compromise
10 CalPERS security, the Bagley-Keene Open Meeting Act
11 requires at least two-thirds of the Board to affirmatively
12 vote in order to utilize this exception.

13 Based on consultation with our Legal Office,
14 discussion concerning CalPERS information and
15 cybersecurity qualifies for this closed session
16 exemption -- exception. After the closed session, the
17 Board will briefly report out in open session that we met
18 under this exception, and if any action was taken.

19 What's the pleasure of the Board? I am looking
20 for a motion to meet in closed session for the
21 cybersecurity briefing and a second.

22 BOARD MEMBER TAYLOR: So moved.

23 PRESIDENT MATHUR: Moved by Ms. Taylor.

24 BOARD MEMBER HOLLINGER: Second

25 PRESIDENT MATHUR: And seconded by Ms. Hollinger.

1 Any discussion the motion?

2 Seeing none.

3 All those in favor say aye?

4 (Ayes.)

5 PRESIDENT MATHUR: All opposed?

6 Motion passes.

7 We are going to, at this time, adjourn -- not
8 adjourn -- recess, thank you, the open session of the
9 Board meeting and convene into closed session in 10
10 minutes.

11 (Off record: 10:09 a.m.)

12 (Thereupon the meeting recessed into
13 closed session.)

14 (Thereupon the meeting reconvened
15 open session.)

16 (On record: 11:34 a.m.)

17 PRESIDENT MATHUR: Okay. We are going to
18 reconvene the open session.

19 The Board met in closed session today pursuant to
20 Government Code Section 11126 subdivision (c)(18)(A).
21 During the closed session, the Board received a
22 cybersecurity update on staff's work to protect the
23 system. The Board took no action.

24 And with that, we are adjourned.

25 /////

(Thereupon the California Public Employees'
Retirement System, Board of Administration
open session meeting adjourned at 11:35 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 27th day of March, 2018.



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