

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

ROBERT F. CARLSON AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

TUESDAY, APRIL 17, 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

COMMITTEE MEMBERS:

Ms. Theresa Taylor, Chairperson

Mr. Richard Costigan, Vice Chairperson

Mr. Rob Feckner

Mr. Richard Gillihan

Mr. Henry Jones

Mr. David Miller

Ms. Betty Yee, represented by Ms. Lynn Paquin

BOARD MEMBERS:

Ms. Priya Mathur, President

Ms. Margaret Brown

Mr. John Chiang, represented by Steve Juarez, Mr. Matthew Saha

Ms. Dana Hollinger

Mr. Ramon Rubalcava

Mr. Bill Slaton

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Charles Asubonten, Chief Financial Officer

Mr. Doug Hoffner, Deputy Executive Officer

Mr. Matthew Jacobs, General Counsel

Mr. Scott Terando, Chief Actuary

A P P E A R A N C E S C O N T I N U E D

STAFF:

Ms. Fritzie Archuleta, Deputy Chief Actuary

Mr. Dirk Benson, Chief Technology Officer

Mr. Randy Dziubek, Deputy Chief Actuary

Mr. Christian Farland, Chief Information Officer

Mr. Matt Flynn, Interim Chief Operating Investment Officer

Ms. Lisa Hammond, Senior Staff Attorney

Ms. Flora Hu, Senior Life Actuary

Ms. Kimberly Malm, Chief, Operations Support Services
Division

Mr. Gary McCollum, Senior Life Actuary

Mr. Andy Nguyen, Assistant Chief, Pension Contract
Management Services Division

Ms. Renee Ostrander, Chief, Employer Account Management
Division

Ms. Arnita Paige, Chief, Pension Contract & Prefunding
Programs

Ms. LaRiesha Simmons, Committee Secretary

Mr. Justin Simpson, Senior Staff Attorney

Ms. Kelly Sturm, Senior Pension Actuary

ALSO PRESENT:

Mr. Dillon Gibbons, California Special Districts
Association

Mr. J.J. Jelincic

Mr. Carlos Machado, California School Boards Association

Mr. Larry Woodson, California State Retirees

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

2 CHAIRPERSON TAYLOR: I'm calling the -- I am not
3 on. Thank you. I am calling the Finance Administration
4 Committee meeting to order. First order of business is
5 roll call

6 COMMITTEE SECRETARY SIMMONS: Theresa Taylor?

7 CHAIRPERSON TAYLOR: Here.

8 COMMITTEE SECRETARY SIMMONS: Richard Costigan?

9 VICE CHAIRPERSON COSTIGAN: Here

10 COMMITTEE SECRETARY SIMMONS: Rob Feckner?

11 COMMITTEE MEMBER FECKNER: Good morning.

12 COMMITTEE SECRETARY SIMMONS: Richard Gillihan?

13 COMMITTEE MEMBER GILLIHAN: Here.

14 COMMITTEE SECRETARY SIMMONS: Henry Jones?

15 COMMITTEE MEMBER JONES: Here.

16 COMMITTEE SECRETARY SIMMONS: David Miller?

17 COMMITTEE MEMBER MILLER: Here.

18 COMMITTEE SECRETARY SIMMONS: Lynn Paquin for
19 Betty Yee?

20 ACTING COMMITTEE MEMBER PAQUIN: Here.

21 CHAIRPERSON TAYLOR: All right. We are moving
22 directly to Agenda Item number 6c as we have a time -- a
23 certain start time of 9:00 a.m.

24 It is now 9:00 a.m. on April 17th, 2018. We're
25 located in the auditorium at the CalPERS Headquarters,

1 Lincoln Plaza North, Sacramento, California.

2 This is the time and place which has been noticed
3 for public hearing on the proposed adoption of amendments
4 to Title 2, California Code of Regulations, Article 2,
5 Section 554.7, which makes changes that would require
6 voters to sign the perjury statement on the return
7 envelope instead of on the paper ballot.

8 This hearing is being transcribed for the
9 administrative record.

10 I am Theresa Taylor, Chair of the CalPERS Finance
11 and Administration Committee. Before the Committee opens
12 the floor to accept public testimony and comments on the
13 proposed regulations, I would like to briefly go over the
14 rules governing the rulemaking process.

15 The purpose of this public hearing is to allow
16 the public to present testimony regarding the proposed
17 regulatory action. The Committee will listen attentively
18 to any testimony which is presented. All comments which
19 are received today, as well as any written comments
20 received during the public comment period, will receive a
21 response from CalPERS in writing as part of the final
22 rulemaking file.

23 The rulemaking file is a public record, and is
24 open for public review during the rulemaking process.
25 Should you wish to review the rulemaking file, you can

1 make an appointment to do so by contacting our Regulations
2 Coordinator, Anthony Martin at (916)795-9347.

3 And at this time, I'm going to turn over to --
4 turn this over to Kim Malm to provide some information
5 regarding the comments received during the 45-day comment
6 period.

7 Thank you.

8 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

9 Good morning. Thank you, Ms. -- Madam Chairman.
10 Members of the Finance and Admin Committee, Kim Malm,
11 CalPERS team member. Today, I'm joined by Justin Simpson,
12 CalPERS legal team.

13 This is an action item for final approval to
14 amend the Board election regulation 554.7 and submit the
15 final rulemaking package to the Office of Administrative
16 Law.

17 As you're aware, I presented this package at the
18 January Board off-site in January of 2018. January -- we
19 did this in order to meet the 2018 Board election
20 schedule. The Board approved the regulation language
21 moving the placement of the signature, perjury statement,
22 and any other identifying information to the back of the
23 envelope instead of the back of the ballot.

24 This 45-day comment period began on February 9th
25 and ended on March 26th. Two comments were received

1 during this time frame. The first comment was in regards
2 to the signature on the back of the envelope, and the
3 concern of identity theft. And after considering this
4 comment, we are not recommending any change as it follows
5 the California and federal election format.

6 The second comment suggested multiple changes,
7 but no change to this proposed regulation. Therefore, no
8 changes will be made.

9 We did confirm with the Office of Administrative
10 Law that the changes suggested in the five page memo that
11 you received would constitute a substantial change that
12 would require another review cycle.

13 If the Committee accepts any of these changes,
14 there's a risk that we won't make the 2018 State school
15 and public agency election. This means that the signature
16 and perjury statement will remain on the ballot and not be
17 moved to the back of the envelope.

18 We anticipate updating the Board election
19 regulations as soon as this package is approved by the
20 Office of Administrative Law, and all of the suggestions
21 submitted will be taken into consideration. As Ms. Taylor
22 stated earlier, interested parties may present testimony.
23 The Committee and CalPERS team members are not required to
24 respond to public comment during this meeting. All
25 comments received will receive a written response from

1 CalPERS as part of the final rulemaking package.

2 If the Committee approves this existing package,
3 the final regulation will be submitted to Office of
4 Administrative Law and they have 30 working days to review
5 and approve this package.

6 We expect to obtain OAL approval and make all the
7 appropriate changes to the ballot and ballot return
8 envelope for the 2018 State, school, and public agency
9 elections.

10 At this time, Madam Chair, I'm happy to answer
11 any questions. We are.

12 I will turn it back over to you.

13 CHAIRPERSON TAYLOR: Thank you so much, Kim.

14 So if anybody wishes to speak at this time, and
15 you have turned in a speaker form, you will be recognized
16 in the order the forms were received. If you have not
17 submitted a form or would prefer not to, you will be given
18 an opportunity to speak just after the last speaker has
19 completed his or her comments.

20 The record of this hearing will close at the
21 completion of the last speaker's presentation. We request
22 that each speaker begin by providing his or her name and
23 affiliation for the record. And you will have three
24 minutes for your presentation.

25 And at this time, I'd like to recognize J.J.

1 Jelincic.

2 Can we make sure the microphone is on.

3 Thank you.

4 MR. JELINCIC: It looks like you turned it on for
5 me.

6 All right. I'm J.J. Jelincic, a CalPERS member.
7 I'm the one who asked for the hearing. I know how closely
8 the Board members read the agenda material and wanted to
9 make sure I was available to answer any questions about my
10 comments.

11 As I pointed out in my comments in January,
12 before the Board approved the proposed regulatory changes
13 and in my written comments on the proposed regulations,
14 this election has many problems. This proposed regulation
15 addresses the most pressing, but clearly not all the
16 problems.

17 For example, one half of the certified vendor is
18 certified to print ballots. None of the parties are
19 certified to run an election process. The ballot count is
20 not a physical count. It is the merging of three
21 electronic files. The election results are known. They
22 are the sum of the three files.

23 The fact that the sum is known, but the addends
24 are not, does not lend a lot of credibility. These
25 process -- these are process problems and outside of the

1 regulatory process and under the complete control of
2 staff.

3 Election code 15 -- 19205 forbids the
4 transmission of electronic data over external
5 communication networks, including the public fund system
6 or the Internet. Yet, the adopted regulations require
7 both to be addressed by regulatory changes.

8 The proposed changes eliminates the requirement
9 that the voter sign the ballot and returns to the prior
10 practice of signing the envelope, the same practice that
11 exists for absentee ballots. However, it leaves in place
12 regulation 554.8(a)(2) that says a ballot is valid only if
13 signed.

14 Under the regulations, the voter must sign both
15 the ballot and the envelope. I don't believe that's your
16 intention. Signing the ballot violates Election Code
17 14287. I understand the Board has been advised that it
18 is -- it is exempt from the Regulation Code. I think this
19 is bad and irresponsible advice.

20 The proposed regulation eliminates 554.7(b).
21 This is the section of the regulation that says there is
22 no need to have an election if only one person files.
23 Again, I assume that is not your intention, but that is
24 what the regulations will now say.

25 I encourage you to fix both of these issues

1 before proceeding further. I also hope you come back soon
2 to fix the other problems with the election process.

3 Thank you, and if you have any questions, I would
4 be happy to answer them.

5 CHAIRPERSON TAYLOR: Thank you, Mr. Jelincic.

6 At this time, is there any other person who would
7 like to speak on Agenda Item 6c?

8 Is there anybody else that would like to speak?

9 All right. If there are no speakers, then no one
10 wishes to speak -- just giving you one more chance.

11 (Laughter.)

12 CHAIRPERSON TAYLOR: There being no further
13 testimony on this matter, the record of this hearing is
14 now closed, and this hearing is adjourned.

15 The time is 9:09 a.m.

16 Do any Board members wish to speak on the
17 proposed regulations?

18 I do have Margaret Brown.

19 BOARD MEMBER BROWN: Thank you, Madam Chair.

20 I'd like to thank Mr. Jelincic for his comments.
21 I, too, share his concerns about the changes to the -- to
22 the regulations. And then the parts that aren't included
23 in the regulatory process, which is the fact that the
24 ballots are not counted in public. It was very
25 astonishing for me to see the vendor who receives the

1 ballots in Everett, Washington, that they're opening them
2 daily ahead of the election count, and no one is actually
3 supervising or watching that process.

4 Our regulations clearly say that the ballots will
5 be counted in public, and instead electronic files are
6 being sent to La Jolla. And they are, I guess,
7 tabulating, according to the reports. But there is
8 actually no check on this process.

9 Ms. Malm, I heard you say in the beginning
10 that -- that these regulations comply with both federal
11 and State, but -- and in some regards you say you're
12 exempt from the State -- that your exempt from the State
13 regulations.

14 But I want us to be clear, on-line voting is not
15 permitted. Ballots need to be counted in public for us to
16 have a secure process and to make sure that it is -- that
17 it is fair for the participants. I have actually
18 requested the data on the election results by mail, and by
19 on-line, and by phone, because I also have a problem with
20 the phone system. And we can't get those numbers. We
21 only can get an aggregate.

22 And so there's a lot of concerns with the
23 process. And I hope we will, in fact, adjust the
24 regulations to fix those issues at this point.

25 CHAIRPERSON TAYLOR: Thank you, Ms. Brown.

1 Mr. Gillihan.

2 COMMITTEE MEMBER GILLIHAN: Thank you, Madam
3 Chair. I would just like to ask staff to speak to the
4 section on the public comment related to the appearance
5 that our proposed regs are not necessarily aligned with
6 our process regarding signing the envelope as opposed to
7 the ballot.

8 SENIOR STAFF ATTORNEY SIMPSON: Justin Simpson,
9 CalPERS team member. So if I understand the question,
10 you're asking -- and the public commentator was suggesting
11 there's a conflict between 554.8(a)(2) and our suggested
12 revisions to 554.7(a). We don't believe there is a
13 conflict. The way that we look at 554.(a)(2)[SIC] is --
14 it's actually a very carefully drafted regulation that
15 allows for flexibility. And the portion of 554.8(a)(2)
16 that wasn't explicitly stated in the public comment is it
17 says a ballot will be invalidated if it is not signed in
18 accordance with CalPERS instructions.

19 And it's that last contingency, that last piece
20 that creates the flexibility for us to implement
21 procedures and implement instructions on the signature of
22 the perjury statement. And we're doing that here, and
23 we're creating that rule by amending 554.7(a). And my
24 understanding is that the instructions that will be
25 submitted along with the ballot materials will also be

1 very clear as to where the ballot must be signed which in
2 this case will be on the reverse side of the envelope.

3 COMMITTEE MEMBER GILLIHAN: Thank you.

4 CHAIRPERSON TAYLOR: All right. Thank you, Mr.
5 Gillihan.

6 Mr. Miller.

7 COMMITTEE MEMBER MILLER: Yeah, I'm relatively
8 new to the Board, but I'm not new to CalPERS elections. I
9 first ran in 2001. And from even my first experience
10 running for CalPERS Board, I've had concerns that the way
11 we approach interpreting our election regulations, the way
12 we've crafted them with flexibility, it really leaves a
13 lot of room for people to have misunderstandings, for us
14 to kind of change things sometimes in the middle of an
15 election, in the middle of the game.

16 And so I would suggest that being unambiguous,
17 being explicit, making it very clear that we consider an
18 envelope to be equivalent to a ballot when signing, things
19 like that, the more we can make that clear in our
20 regulations rather than have to rely on trying to do it in
21 instructions might be more helpful in the long run.

22 But my main point is I'm really looking forward
23 to the opportunity in the future to really look at our
24 election processes, look at how we do things, look at the
25 challenges and problems we've had in the past, and really

1 give it a really good fresh look, because we -- you know,
2 we've improved over the years, but there's still
3 improvements to be made.

4 And I'm still perplexed at the low turn-outs,
5 despite our best efforts to make it easier and more
6 convenient to vote. You know, the issues of privacy and
7 security aside, I think that's an even bigger topic that
8 I'm really looking forward to continuing that conversation
9 to try to get to the bottom of that over the -- in the
10 coming months.

11 CHAIRPERSON TAYLOR: Thank you, Mr. Miller.
12 Mr. Costigan.

13 VICE CHAIRPERSON COSTIGAN: Thank you, Madam
14 Chair. Thank you, Ms. Malm for this presentation. I just
15 want to distinguish a couple things. I think a lot of
16 folks are taking that the signature of the envelope
17 somehow identifies that you may have voted for someone.

18 Actually, all it's doing is very similar, is when
19 I go into vote myself, I just sign. You can't ask for any
20 ID, but it's just the fact that I showed up, there's a
21 blank. So I could mail an envelope that has no vote in
22 it, just send off the envelope, and that, in and of
23 itself, is a decision that I don't want to vote for
24 anybody.

25 But by signing the back of the envelope, all

1 we're doing is it's very similar to what the current
2 practice is when I walk into a polling booth or a polling
3 station, and I say, you know, are you so in so? Is this
4 your address? Yes. (made sounds with mouth) Sign. I'm
5 not asking for identifiable information.

6 I guess the two questions I have, one is just
7 because it's signed, we're not actually tabulating on the
8 inside if the person voted or not, right? We're just
9 saying that the back of this document has been signed.
10 But that got -- correct, because we're squaring up?

11 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

12 That's correct, we aren't --

13 VICE CHAIRPERSON COSTIGAN: So there's no --

14 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

15 -- validating signatures. We don't have a
16 signature database.

17 VICE CHAIRPERSON COSTIGAN: Okay. It's just -- I
18 mean, that's -- I mean, that's part of it is I can just
19 ratchet through, because we're not comparing it to sort of
20 Mr. Miller's question. And we can disagree on some other
21 things. But we're not saying these nine folks didn't vote
22 when the envelope comes in. We're not comparing those
23 signatures to the -- to the voter roles.

24 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

25 No.

1 VICE CHAIRPERSON COSTIGAN: Just like when I go
2 chase votes in a general election, I can go see who voted
3 and who didn't vote. And I can now go chase those votes,
4 because they've signed the form, or they're listed as an
5 absentee ballot and the registrar crosses those folks off
6 as they come in. And if you're doing an absentee ballot,
7 you're still signing the document.

8 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

9 We receive aggregate data from the vendor on the
10 information that was in the RFP and in their proposal that
11 basically tells us the things that I provide in your
12 report, which is male/female, age groups, top 20 cities,
13 top 20 employers, and that's -- that's the information
14 that we receive from the vendor. We don't receive any
15 other detailed information.

16 VICE CHAIRPERSON COSTIGAN: But that's off the
17 ballot.

18 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

19 Um-hmm.

20 VICE CHAIRPERSON COSTIGAN: That's not off the
21 envelope.

22 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

23 That's correct.

24 VICE CHAIRPERSON COSTIGAN: Okay.

25 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

1 You're correct. That's correct.

2 VICE CHAIRPERSON COSTIGAN: Okay. In this case,
3 this is just level one, so that again you can -- you're
4 just scratching through, because we're not verifying the
5 signature.

6 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
7 Right.

8 VICE CHAIRPERSON COSTIGAN: It just has to have a
9 signature on the back of the envelope --

10 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
11 Correct.

12 VICE CHAIRPERSON COSTIGAN: -- to attest that
13 someone, rather than me gathering up a thousand
14 envelopes --

15 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
16 Yes.

17 VICE CHAIRPERSON COSTIGAN: -- and just dropping
18 them in the mail.

19 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
20 Yes, sir.

21 VICE CHAIRPERSON COSTIGAN: Okay. I mean, I just
22 want to make sure, because we talk a lot about privacy and
23 others. And I'm just trying to get at is because it is
24 will be the reverse side of the envelope shall be signed
25 by the voter. I mean, one, you've got to be an eligible

1 voter, but we're not there.

2 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

3 To get one, um-hmm.

4 VICE CHAIRPERSON COSTIGAN: So -- but we're not
5 verifying that that signature on the back of the envelope
6 is the registered voter. We're just seeing that it was
7 signed.

8 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

9 That's correct.

10 VICE CHAIRPERSON COSTIGAN: Okay. Thank you.

11 Thank you, Madam Chair.

12 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

13 Under perjury.

14 VICE CHAIRPERSON COSTIGAN: Under perjury, yes.

15 CHAIRPERSON TAYLOR: Thank you very much.

16 I just kind of want to add as well. If you -- if
17 anyone gets absentee ballots for your regular voting, you
18 have to sign the envelope. So, I mean, it's a -- it's a
19 typical practice.

20 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

21 And if I may, that -- I'm sorry. That's what I
22 meant earlier, Ms. Brown, was that the signature on the
23 back of the envelope follows State and federal format was
24 all I was trying to point out.

25 Thank you.

1 CHAIRPERSON TAYLOR: Right. Thank you very much.
2 Mr. Feckner.

3 COMMITTEE MEMBER FECKNER: Thank you, Madam
4 Chair.

5 I move staff's recommendation.

6 COMMITTEE MEMBER GILLIHAN: Second.

7 CHAIRPERSON TAYLOR: Second.

8 I have one other person who'd like to speak and
9 then we will vote. Mr. Jones.

10 COMMITTEE MEMBER JONES: Yeah. Thank you, Madam
11 Chair.

12 CHAIRPERSON TAYLOR: You're on.

13 COMMITTEE MEMBER JONES: Yeah, just on the ballot
14 what information is on the ballot that verifies the person
15 that's voting?

16 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

17 There is -- will no longer be any identifiable
18 information on the ballot. It's on the envelope. The
19 ballot is strictly who you're voting for. And the
20 identifiable information is on the bar code, and your
21 signature is on the envelope -- the back of the envelope.

22 COMMITTEE MEMBER JONES: Okay. Thanks.

23 CHAIRPERSON TAYLOR: Thank you, Mr. Jones.

24 Having a motion from Mr. Feckner and a second by
25 Mr. Gillihan, all those in favor of the recommended action

1 say aye?

2 (Ayes.)

3 CHAIRPERSON TAYLOR: All those opposed?

4 BOARD MEMBER BROWN: No.

5 CHAIRPERSON TAYLOR: Well, you can't vote.

6 Sorry.

7 Thank you very much.

8 The recommendation passes, and we are going to
9 move on our agenda. So let's start with our Executive
10 Report. Charles.

11 CHIEF FINANCIAL OFFICER ASUBONTEN: Good morning,
12 Madam Chair and Committee members. Charles Asubonten,
13 CalPERS CFO.

14 Today, we have six action items for your
15 consideration. You've already heard the proposed Board of
16 Administration election regulation and public hearing.
17 The second item is a first reading of the fiscal year
18 18-19 annual budget. And the third is the annual review
19 of Board member employer reimbursements according to
20 Government Code section 20092, allows for the
21 reimbursement of elected CalPERS Board member's salary and
22 benefits paid based on the Board-approved percentages.

23 In addition, our IT department will be seeking
24 your approval for the disaster recovery contract
25 extension.

1 The action items will conclude with the Actuarial
2 Office providing reports on the State and schools
3 valuations and seeking approval for employer/employee
4 contributions for State and schools.

5 On the information items today, we have team
6 members who will present semi-annual health financial
7 report providing the Committee within an update on the
8 financial status for the six CalPERS PPO plans, two EPO
9 plans, and seven flex-funded HMO plans.

10 You'll also receive a quarterly update on
11 reporting and participating employers. The update
12 includes the Committee's direction to provide a revenue
13 funding source column on the JPA summary report, and a
14 status update on the Herald Fire Protection District.

15 You will also hear a presentation of the
16 long-term valuation report, which provides the resource of
17 the actuarial valuation for the fiscal ending June 30 of
18 2017.

19 The next Finance and Administration Committee is
20 scheduled here in Sacramento for May 15, 2018. It will
21 include a second reading of the 18-19 annual budget. The
22 asset liability transferred to San Bernardino County
23 Employees Retirement system, and an extension of the
24 third-party administrator contract for the Supplemental
25 Income Programs.

1 Madam Chair, this concludes my report. And at
2 this time, I would be pleased to take any questions.

3 CHAIRPERSON TAYLOR: Seeing no questions, thank
4 you very much.

5 So we'll move on to Item 3, consent items.
6 Waiting for a motion.

7 COMMITTEE MEMBER JONES: Move it.

8 CHAIRPERSON TAYLOR: Thank you.

9 Moved by Mr. Jones.

10 ACTING COMMITTEE MEMBER PAQUIN: Second.

11 CHAIRPERSON TAYLOR: Second by Ms. Paquin.

12 All those in favor?

13 (Ayes.)

14 CHAIRPERSON TAYLOR: All those opposed oppose?

15 All right. Consent items, Agenda Item 3 is
16 passed.

17 Consent Items 4, I had nothing pulled off.

18 So we are moving on to our Accounting, Financial
19 Reporting and Budget, so that's Agenda Item 5.

20 CHIEF FINANCIAL OFFICER ASUBONTEN: Yeah.

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

23 CHAIRPERSON TAYLOR: Okay.

24 CHIEF FINANCIAL OFFICER ASUBONTEN: Charles
25 Asubonten, CalPERS CFO.

1 The CalPERS fiscal year 18-19 annual budget
2 proposal is being presented today as a first reading.

3 As stated by our CEO, Marcie Frost, on the first
4 page of last year's CAFR and I quote, "We have a clear
5 plan forward to ensure long-term sustainability of the
6 fund and to increase our funded status, but it will take
7 time. Our plan is to raise -- our plan to raise the
8 funding status is built on three strategies: One,
9 addressing financial challenges; two, operating our
10 organization as efficiently as possible to contain costs;
11 and three, and following sound investment principles".

12 This presentation today is exactly about that.

13 --o0o--

14 CHIEF FINANCIAL OFFICER ASUBONTEN: As any of you
15 know and as any CFO knows to create value, you have to
16 have discipline and consistency. And that's what we mean
17 to display here today. The mission of our organization
18 still remains in tact, deliver retirement and health care
19 benefits to members and their beneficiaries. And I should
20 say they remain sacrosanct. We believe in that, and
21 that's why we're here.

22 I know, Madam Chair and members, you are familiar
23 with the strategic goals. For the sake of those for whom
24 this is not familiar, we have it here on the next slide.

25 --o0o--

1 CHIEF FINANCIAL OFFICER ASUBONTEN: I will move
2 on to the key areas of the focus of the budget on the next
3 slide.

4 --o0o--

5 CHIEF FINANCIAL OFFICER ASUBONTEN: And that is:
6 Innovative approaches to improve benefit services and
7 continue customer service; effective information
8 technology solutions; cost efficiencies and workload
9 capacity; efficient risk and -- risk management and
10 compliance; and sound management practice and leadership
11 development.

12 --o0o--

13 CHIEF FINANCIAL OFFICER ASUBONTEN: On the next
14 slide, I have for you the highlights of the budget. You
15 will see a reduction in investment of external management
16 fees of 10.5 million. This team is working together, al
17 of us together to find opportunities to contain costs and
18 to reduce complexity. And you probably heard, and you'll
19 hear it away -- again that the team will certainly pay for
20 alpha performance, but not beta performance.

21 We -- you will see also a reduction of 3.5
22 million on the discretionary costs. And this reduction
23 supports our strategic measure to reduce total overhead
24 costs by 1.5 to 2 percent annually.

25 No new positions are proposed. Resource needs

1 are addressed through position pooling.

2 My|CalPERS Business Optimization Project
3 scheduled for completion for fiscal year 17-18.
4 Maintenance and operating costs will move to operating
5 budget, as we will see in a minute.

6 --o0o--

7 CHIEF FINANCIAL OFFICER ASUBONTEN: Replacement
8 of the current Human Resource Management System with a
9 modern cloud-based system to meet business needs and
10 requirements, and transitioning of the contact center
11 platform to a cloud based platform to reduce complexity of
12 the current multi-vendor contact center application.

13 --o0o--

14 CHIEF FINANCIAL OFFICER ASUBONTEN: On the next
15 slide, we have the actual budget, which I referred to as
16 the price tag, or the ask, for today. The proposed fiscal
17 year 18-19 CalPERS total budget is about approximately 1.7
18 billion. It represents an overall increase of about 4.8
19 million. That's only 0.3 percent from fiscal year 17-18
20 approved budget, also around 1.7 billion. Bear in mind
21 that at 0.3 percent, this is less than current rate of
22 inflation, which CPIU is at about 2.1 percent.

23 Moving back to the top of the chart, under salary
24 and benefits, you can see that this went up six percent,
25 which is mostly attributed to general salary increase, GSI

1 of four percent this year, and the additional four percent
2 for fiscal year 18-19.

3 As I mentioned earlier, we have decreased
4 discretionary spending. And discretionary I mean
5 temporary help, things that we have direct control over,
6 travel, training, and the like. The reduction, as you can
7 see there, is about 3.5 percent. If you -- if you move to
8 the right, the -- to the right side of the chart, you see
9 budget forecasts. Those were a reduction of 0.8 percent.
10 So really when you look at it in total for the two years,
11 there's about approximately a four percent reduction to
12 3.8 from fiscal year 17-18 to the proposed budget of
13 18-19.

14 The items on the list, the baseline formal budget
15 request includes costs associated with my|CalPERS
16 maintenance and operations, and the IT hardware refresh
17 totaling just over 8.2 million.

18 Also, we just wanted to point out the ongoing
19 admin FBRs. The actual -- it concludes the actual First
20 Principles -- the actuarial First Principles Model, State,
21 schools and public agency elections, human resource
22 management solutions, accessibility compliance and core
23 technology and cloud mobility.

24 As mentioned earlier, we have made significant
25 improvements on our investment external management fees

1 with a reduction of 10.5 million on that list, as you can
2 see. Given that we are currently in rate negotiations,
3 third-party administrative fees will be updated in the
4 second reading of the budget.

5 Enterprise project costs have in -- decreased by
6 13 million, 58 percent. This is attributed to: The
7 my|CalPERS Business Optimization Project moving to
8 maintenance and operations as it is reflected in the
9 operating budget; costs this year associated with the
10 actuarial valuation system redesign; human resource
11 management solutions; information technology solutions;
12 and the contact center applications migration to the
13 cloud.

14 Lastly, as you can see, the headquarters building
15 costs have gone down 2.6 million, nearly 10 percent. This
16 is due to reductions in furniture and fixtures, owner
17 improvements, operation costs from the recent sale of the
18 Thomson-Diggs and Ramos buildings and revenue rent.

19 Finally, the budget includes no change in
20 authorized positions, which remains at 2,875.

21 --o0o--

22 CHIEF FINANCIAL OFFICER ASUBONTEN: To conclude,
23 Madam Chair, this proposed budget includes the resource
24 requirements to continue to support sound operational
25 governance, aligns the budget to strategic and business

1 planning, while delivering on realistic cost containment,
2 expands the use of technology, and most importantly,
3 focusing on the customers, members.

4 Today, I'm asking for a recommendation to approve
5 the fiscal year 18-19 annual budget proposal as first
6 reading in the amount of \$1,680,636,000 with 2,875
7 positions.

8 Madam Chair, I also recommend approval of the
9 transmittal of this agenda item to the Joint Legislative
10 Budget Committee, Fiscal Committees of the Legislature,
11 State Controller, and Department of Finance in accordance
12 the Budget Act of 2017, and to the Legislative Analyst's
13 Office, Government Operations Agency, and the Office of
14 Legislative Counsel.

15 Thank you, Madam Chair. And, at this time, I'm
16 please to take any questions.

17 CHAIRPERSON TAYLOR: So thank you very much.
18 That was a very clear, concise reading of the budget. One
19 of my other hats I wear I do this as well. But it was
20 very understandable. I want to thank you very much, Mr.
21 Asubonten.

22 I do have a couple of folks -- a couple of folks
23 that want to talk, and want to ask you some questions.

24 Ms. Brown.

25 BOARD MEMBER BROWN: Thank you, Madam Chair. I'm

1 looking at page seven of nine on the slide deck, the total
2 proposed budget. And I just wanted to ask a few
3 questions, since I'm -- since this is my first time seeing
4 the budget. The investment operating costs are going up
5 by \$2.185 million. And there's a footnote that says that
6 these costs are separate from administrative -- I mean,
7 they're separate from CalPERS administrative operating
8 costs. So can you tell me what the investment operating
9 costs entail, and why it's going up? I mean, it looks
10 like we're cutting in other areas, and why the investment
11 operating costs are going up?

12 CHIEF FINANCIAL OFFICER ASUBONTEN: Yes. Let me
13 take a crack at it and hand it over to Matt as well.

14 INTERIM CHIEF OPERATING INVESTMENT OFFICER FLYNN:
15 If needed.

16 CHIEF FINANCIAL OFFICER ASUBONTEN: Okay.

17 INTERIM CHIEF OPERATING INVESTMENT OFFICER FLYNN:
18 Okay. Thank you. Matt Flynn, CalPERS team
19 member. The principal reason for the increase that you're
20 seeing on this presentation is our contract with our
21 master custodian. We had enjoyed a number of years of
22 reduced fees as a result of a litigation we had with them,
23 and those fees have sunsetted.

24 So, in essence, we're returning to our original
25 baseline contract rate with State Street for custody

1 services. And that's responsible for the entire
2 difference you see here.

3 BOARD MEMBER BROWN: Thank you. And then
4 enterprise -- so your good. Enterprise project costs,
5 reduction of 57.8 percent. What are enterprise project
6 costs? I just -- I don't know what those are.

7 CHIEF FINANCIAL OFFICER ASUBONTEN: Of course,
8 project costs -- member Brown, as you know, projects are
9 the things that extend beyond one operating cycle. So
10 these are things that projects that we put in place to
11 benefit several periods of the reporting period.

12 If it's not clear, let me state it again. Normal
13 expenditure -- normal spending happens in the period that
14 you're reporting on. And then project -- expenditure
15 projects, enterprise projects, for the most part extend
16 beyond one reporting cycle. And in this case, like the
17 prior year for example, we had items for the my|CalPERS,
18 which was a number of --

19 BOARD MEMBER BROWN: Right.

20 CHIEF FINANCIAL OFFICER ASUBONTEN: -- a very
21 large number. And now all of that has been scaled down.
22 And as I mentioned, my|CalPERS project completes this
23 fiscal year. So as we go into 18-19, there's only a small
24 amount which becomes a normal operating budget.

25 BOARD MEMBER BROWN: Is there anything else

1 besides my|CalPERS?

2 CHIEF FINANCIAL OFFICER ASUBONTEN: Yes, there
3 were several items in there.

4 BOARD MEMBER BROWN: But those are all basically
5 winding down.

6 CHIEF FINANCIAL OFFICER ASUBONTEN: Correct.

7 BOARD MEMBER BROWN: Okay. Perfect.

8 And then I'm going to ask actually for the -- a
9 copy of the full budget. I love that stuff. So the
10 detail, that would be great.

11 CHAIRPERSON TAYLOR: We always get one.

12 BOARD MEMBER BROWN: We do?

13 CHAIRPERSON TAYLOR: Yeah.

14 BOARD MEMBER BROWN: Great. Thank you.

15 CHAIRPERSON TAYLOR: All right. Mr. Gillihan.

16 COMMITTEE MEMBER GILLIHAN: Thank you, Madam
17 Chair.

18 First, I'd like to thank the team for holding
19 position authority flat. It's a refreshing change, and
20 it's something that some of us have been -- a drum we've
21 been beating for years, so I appreciate the change in
22 approach in holding our position authority flat.

23 I also thank you for the presentation. I just
24 had -- Charles, I'd like a little more clarification on
25 the reduction in headquarters building costs. I didn't

1 quite understand that piece.

2 CHIEF FINANCIAL OFFICER ASUBONTEN: The -- let me
3 ask Kim to speak to it.

4 CHAIRPERSON TAYLOR: Kim.

5 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
6 Good morning. Kim Malm, CalPERS team member. I
7 can only prepare for one agenda at a time.

8 (Laughter.)

9 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
10 So, Mr. Gillihan, we reduced -- in an effort from
11 Ms. Frost's conversation with us last year and this year
12 in regards to 68 percent funded, we have taken -- removed
13 everything out of the headquarters budget for this fiscal
14 year that is not a health and safety item. And so there's
15 no carpet replacement, there's no paint replacement. Any
16 of the things that we would do to keep the building
17 pristine is not necessary. Health and safety items are
18 necessary when you are in a fiscal environment that we're
19 in.

20 COMMITTEE MEMBER GILLIHAN: And I thought I heard
21 Charles say something about selling some property or
22 something. Was -- did --

23 CHIEF FINANCIAL OFFICER ASUBONTEN: There is --
24 the overall cost savings were 3.2. There was a spending
25 of 0.6, which brings it to a budget reduction of 2.6. And

1 in the budget reduction, as Ms. Malm was talking about,
2 there -- there is a reduction in maintenance costs. And,
3 of course, that's because if you let properties go, then
4 you're overall maintenance goes down. I think that's what
5 I was referring to, that because we don't have as many
6 properties as we had before the selling of the properties
7 have led to the reduction in operating costs.

8 COMMITTEE MEMBER GILLIHAN: And we're not
9 deferring any maintenance that's going to come back and
10 bite us in the future?

11 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
12 We are not deferring any necessary maintenance
13 for health and safety, or for items that are necessary to
14 be done for this year.

15 COMMITTEE MEMBER GILLIHAN: I'm talking like
16 building integrity, structural integrity stuff, nothing.

17 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
18 Yeah. Yes. Window washing, things that are --
19 that we can live without for at least another year. And
20 thank you, Charles, yeah, we also transferred the T-Diggs
21 build and the Ramos -- or not Ramos -- T-Diggs and the 500
22 R Street parking lot, 1801 3rd Street to the Investment
23 Office. And so that came out of my portfolio as well.
24 And that's also a reduction, because of the maintenance
25 that was -- that I had in my budget to maintain those

1 properties.

2 COMMITTEE MEMBER GILLIHAN: Those costs I assume
3 shifted to the Investment Office budget.

4 CHIEF FINANCIAL OFFICER ASUBONTEN: In the --
5 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
6 Well, it's in an LLC.

7 CHIEF FINANCIAL OFFICER ASUBONTEN: Yeah.
8 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
9 It's in an LLC as an investment property.

10 COMMITTEE MEMBER GILLIHAN: Oh, as an investment
11 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:
12 Yeah.

13 COMMITTEE MEMBER GILLIHAN: Okay. All right. I
14 gotcha. All right. Thank you.

15 CHAIRPERSON TAYLOR: All right. Mr. Jones.

16 COMMITTEE MEMBER JONES: Thank you, Madam Chair.
17 First of all, I'd like to congratulate you on again
18 getting the distinguished award from the Government
19 Finance Officers Association. Congratulation.

20 And also to indicate the -- applaud you on the
21 continued improvement in the presentation of data, where
22 you've added your -- over the last several years, you've
23 added the forecasted budget, so you can look at budget to
24 budget, you can look at actuals to budget, you can look at
25 forecast to budget. So that answers a lot of questions

1 that now we don't have to ask, because the data is very
2 well -- very well presented.

3 And then congratulations to the Investment Office
4 for continuation of the external management fees being
5 reduced by \$10.5 million. And that was a goal that we had
6 is to continue to reduce those costs, and I applaud you
7 for that.

8 And I do have a couple of questions. On page 10
9 of 39 of the presentation, and it's -- let me see, it's --
10 what page is it from the Board book?

11 92 of 306.

12 CHIEF FINANCIAL OFFICER ASUBONTEN: Mr. Jones,
13 it's page 10 you said?

14 COMMITTEE MEMBER JONES: It's page 10 the 39 from
15 the hard copy, guess --

16 CHAIRPERSON TAYLOR: Yeah, on the Attachment 1.

17 COMMITTEE MEMBER JONES: -- but the Board Book is
18 page 92.

19 CHIEF FINANCIAL OFFICER ASUBONTEN: Yeah.

20 COMMITTEE MEMBER JONES: I just -- I don't
21 remember -- I'm -- I was trying to remember what was the
22 reason for that sharp decrease from the actuals to actuals
23 in the years 15-16 to 16-17?

24 CHIEF FINANCIAL OFFICER ASUBONTEN: That's
25 interesting you would ask that. When I saw that over the

1 weekend, I sent out a message asking for the same
2 question. Let me follow up and come back to you on that
3 one.

4 COMMITTEE MEMBER JONES: Okay. Okay. Good.

5 Okay. Then the next question is on page, of your
6 document, 22 of the 39, and it's 104 of the iPad. In the
7 footnote 2 it's says profit sharing for private equity is
8 deducted from the net returns. And I thought profit
9 sharing was deducted from gross returns?

10 INTERIM CHIEF OPERATING INVESTMENT OFFICER FLYNN:

11 Good morning again. Matt Flynn, CalPERS team
12 member. Private equity returns, as you've seen, are, yes,
13 deducted from net returns that we receive from the
14 partnership, and are disclosed in the CAFR.

15 Because they're -- the volatility and the
16 inaccuracy of trying to project those into the budget, we
17 don't include them in the presentation you're looking at
18 here. What's here are the management fees only, not the
19 profit sharing.

20 COMMITTEE MEMBER JONES: Oh, okay.

21 INTERIM CHIEF OPERATING INVESTMENT OFFICER FLYNN:

22 We do, however, as you know, disclose profit
23 sharing at year-end in full detail --

24 COMMITTEE MEMBER JONES: Right.

25 INTERIM CHIEF OPERATING INVESTMENT OFFICER FLYNN:

1 -- as well as in the AB 2833 report in December.

2 COMMITTEE MEMBER JONES: Okay. Thank you.

3 CHAIRPERSON TAYLOR: Thank you, Mr. Jones.

4 Ms. Paquin.

5 ACTING COMMITTEE MEMBER PAQUIN: Thank you, Madam

6 Chair. Thank you, Mr. Asubonten. This is a great

7 present. Really appreciate it.

8 And I did have one additional question on page
9 22, which is investment related. And it says here that
10 the total external management performance fees are
11 decreasing by 20 million, and then the base fees are
12 increasing by about 10 million. I was just curious why
13 the external performance fees would be projected to be
14 decreasing?

15 CHAIRPERSON TAYLOR: Increasing?

16 INTERIM CHIEF OPERATING INVESTMENT OFFICER FLYNN:

17 Thank you. Again, Matt Flynn, CalPERS team
18 member. What you're seeing here is the principal reason
19 for the deduction that you see is in the real assets
20 portfolio. And the real assets portfolio has a prior
21 period accrual that's just being recognized here. So the
22 actual dollars that were -- that the portfolio is spinning
23 off are about the same. But because we use accrual
24 accounting, we've already accrued for those performance
25 fees in a prior period.

1 So what you're seeing here is the net effect of
2 the accrual plus the actuals that are going to go out. So
3 it's a little bit of an optics. As a point in time, it
4 looks like it. Over time, the actuals all are pretty
5 consistent with -- for real assets.

6 ACTING COMMITTEE MEMBER PAQUIN: Okay. Great.
7 Thank you.

8 CHAIRPERSON TAYLOR: All right. Mr. Costigan.

9 VICE CHAIRPERSON COSTIGAN: Thank you, Madam
10 Chair. Thank you, Charles. Again, great work on getting
11 the budget out and appreciate the continued transparency.
12 Just a couple points. One, vacancy -- or the blanket
13 positions. Again, congratulations. You and I talked the
14 fact that we're almost done with those, I'm glad to see.

15 The bigger question I have, although I'll agree
16 with Mr. Gillihan, I appreciate you capping PYs. But I
17 note we do have savings. So what I don't see in the
18 budget is what's our current vacancy rate.

19 So we go to the positions authorized. I think
20 you're doing it. You have an offset in cost, and you --
21 that you put as vacancy savings. So what's the current
22 vacancy rate -- generic vacancy rate across the
23 organization, and which unit has the largest vacancy rate?

24 CHIEF FINANCIAL OFFICER ASUBONTEN: The
25 current --

1 VICE CHAIRPERSON COSTIGAN: You've got turn on
2 your mic.

3 CHAIRPERSON TAYLOR: Your mic isn't on.

4 CHIEF FINANCIAL OFFICER ASUBONTEN: Sorry. The
5 currency vacancy rate is about 6.5 percent.

6 VICE CHAIRPERSON COSTIGAN: And that's across the
7 whole organization. And then who has the largest vacancy
8 rate?

9 CHIEF FINANCIAL OFFICER ASUBONTEN: In terms of
10 the largest, I believe is in the Investment Office. I can
11 double check this for you.

12 VICE CHAIRPERSON COSTIGAN: No. It generally is
13 INVO and they run close to 10 percent. Because what I'm
14 trying to get at is we've seen -- we've seen an increase
15 in overall cost. You know, 199 to -- oops to 208. And it
16 just disappeared. And then you offset that with 18 in
17 vacancy.

18 So, I mean, where's -- and this has just been a
19 pet peeve of mine for years, nothing new here, is that one
20 the blankets are about transparency, and we're moving them
21 back in. We still sort of maintain artificially high
22 vacancy rates. I think the discussion we were having, it
23 used to be that Finance had a position, the position was
24 vacant six months, and it went away. That's no longer the
25 case.

1 And I just want to make sure that folks are aware
2 we are watching. I mean, I want the positions filled.
3 That's the reason. We've talked to the Chief Actuary
4 about some of the positions in there as well. And so
5 again scrutiny and asking for -- so I'm glad to see we
6 capped PYs. The problem is we're still running vacancies.

7 And we me go back and revisit PYs that were asked
8 for last year and where are we? Because what I don't want
9 to see built into the budget are increased positions to
10 say, well, we're capping headcount, but what we're
11 doing -- and again, I appreciate from a transparency
12 standpoint you capture that in the budget item. So it's
13 there.

14 So anyway, thank you Madam Chair.

15 CHIEF FINANCIAL OFFICER ASUBONTEN: Madam Chair,
16 what I can say to Member Costigan is this is the first
17 reading. We will certainly take all of this back and look
18 at the numbers. I -- also, I should point out, some of
19 the numbers you see here I certainly as the years -- as
20 the months go by, we're certainly going to take a good
21 look at them. And at the second reading, at the mid-year
22 reading, we'll be giving you final numbers than what you
23 have here. So it's a continuous improvement process.

24 CHAIRPERSON TAYLOR: And we appreciate that.

25 So this is an action item.

1 COMMITTEE MEMBER GILLIHAN: Move staff
2 recommendation.

3 COMMITTEE MEMBER MILLER: Second.

4 CHAIRPERSON TAYLOR: Henry, I -- oh, you are on.
5 I'm sorry. I didn't even click on it.

6 COMMITTEE MEMBER JONES: That happened to me
7 yesterday, so I don't know what happened.

8 CHAIRPERSON TAYLOR: Go ahead.

9 COMMITTEE MEMBER JONES: Somebody said they --
10 no. Back to -- following up on Richard's comment about
11 the vacancy. Several years ago, we suggested, and it was
12 complied with that we would start recognizing the vacancy
13 rate in the budget development process, so that it's money
14 that we know is not going to be spent, so therefore you
15 need fewer dollars in terms of the adopted budget.

16 So my question is, that six percent rate, what
17 does that correspond to in dollars that have been reduced
18 in this budget?

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

21 So we actually have a four percent assumed
22 vacancy rate within this, to your point.

23 COMMITTEE MEMBER JONES: Okay.

24 DEPUTY EXECUTIVE OFFICER HOFFNER: That would
25 give us about a two and a half percent difference, to Mr.

1 Costigan's point about the 6.5 percent. So I haven't done
2 the math on that, but that is built into the assumptions
3 we have before you today.

4 COMMITTEE MEMBER JONES: Okay. That's good
5 enough. Okay. Thank you.

6 CHAIRPERSON TAYLOR: Okay. All right.

7 So again, I'd like to entertain a motion to pass
8 the staff's recommendation.

9 COMMITTEE MEMBER GILLIHAN: So moved.

10 COMMITTEE MEMBER JONES: Second.

11 CHAIRPERSON TAYLOR: Second by My Jones.

12 All those in favor?

13 (Ayes.)

14 CHAIRPERSON TAYLOR: All those opposed?

15 Motion carries.

16 All right. Let's move on to --

17 CHIEF FINANCIAL OFFICER ASUBONTEN: Thank you.

18 CHAIRPERSON TAYLOR: -- 6a. This is annual
19 review of the Board Member Employer Reimbursements.

20 CHIEF FINANCIAL OFFICER ASUBONTEN: Yes.

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

23 CHAIRPERSON TAYLOR: And go ahead, Charles.

24 CHIEF FINANCIAL OFFICER ASUBONTEN: And Madam
25 Chair, Charles Asubonten, CalPERS CFO.

1 What I have here is really to give you the
2 run-down --

3 CHAIRPERSON TAYLOR: Can you talk into the mic.
4 Sorry.

5 CHIEF FINANCIAL OFFICER ASUBONTEN: Oh, yes -- to
6 give you the run-down of members and percentages -- and
7 proposed percentages for the fiscal year.

8 If we go to the next page --

9 --o0o--

10 CHIEF FINANCIAL OFFICER ASUBONTEN: -- you will
11 see that Member Brown's proposed percentage of time is 82
12 percent effective February 14, 2018. And the duties, as
13 you can see in the second column, are all laid out for
14 you.

15 We go down to the next one, which is Member
16 Feckner at 93 percent beginning February 13.

17 Moving on to the next page is President Mathur.
18 And as you can see she's at 100 percent now beginning
19 January 16, 2018.

20 Member Miller at 61 percent.

21 And last, but not least, Member Chairman --
22 Chairwoman Theresa Taylor at 72 percent.

23 (Laughter.)

24 CHIEF FINANCIAL OFFICER ASUBONTEN: So this is
25 what I -- the -- like I said, is a run-down and a

1 compilation of member's proposed time. And we certainly
2 have taken a look at it. And this all complies with the
3 law.

4 --o0o--

5 CHIEF FINANCIAL OFFICER ASUBONTEN: So I would
6 recommend approval for Board member percentage of time to
7 be spent on Board-related duties based on Board and
8 Committee selections held in January, February and March
9 this year.

10 CHAIRPERSON TAYLOR: All right. Thank you. So I
11 just want to comment on my own previous time that's in the
12 agenda item is before I took on current responsibilities
13 that I have. So that's why it reflects lower than it
14 probably normally would.

15 But other than that, I would like to entertain a
16 motion.

17 VICE CHAIRPERSON COSTIGAN: I have some
18 questions.

19 CHAIRPERSON TAYLOR: Oh, there you are. I didn't
20 look.

21 Mr. Costigan.

22 VICE CHAIRPERSON COSTIGAN: Okay. Thank you.
23 Just a few things. What's our base number of hours are we
24 used for the calculations? Is it 1820, is it a 35 hour
25 work week?

1 CHIEF FINANCIAL OFFICER ASUBONTEN: It's -- the
2 hours 14 -- 1260. Those are the baseline hours.

3 VICE CHAIRPERSON COSTIGAN: No, I'm sorry. In
4 order to get to the percentage --

5 CHIEF FINANCIAL OFFICER ASUBONTEN: Yes.

6 VICE CHAIRPERSON COSTIGAN: -- Okay, of 100
7 percent, 61 percent, that's a percentage of something.
8 1260 is represents theoretically --

9 CHIEF FINANCIAL OFFICER ASUBONTEN: Oh, I see.

10 VICE CHAIRPERSON COSTIGAN: -- a Board member --
11 so what I'm getting at is, is it 1820 -- how many hours?

12 CHIEF FINANCIAL OFFICER ASUBONTEN: 2080.

13 VICE CHAIRPERSON COSTIGAN: So we're using a
14 40-hour workweek --

15 CHIEF FINANCIAL OFFICER ASUBONTEN: Yes.

16 VICE CHAIRPERSON COSTIGAN: -- not a 35 hour
17 workweek. Okay. So just a couple questions in reading
18 the code section. I just want to make sure we're --
19 everything is done properly.

20 The statute says when the member is on leave.
21 What I don't see is there -- is there a leave document or
22 is there paperwork that can also be attached showing that
23 the elected members were on leave from their appointing
24 agency? Do we have that documentation?

25 CHIEF FINANCIAL OFFICER ASUBONTEN: At this

1 point, we do not, but we certainly can get that. But if I
2 may, the --

3 VICE CHAIRPERSON COSTIGAN: No, just it's
4 transparency. I mean, it should just be part of the -- it
5 should be part of the presentation. I'm just reading the
6 statute.

7 CHIEF FINANCIAL OFFICER ASUBONTEN: Right. But
8 if I may, the 2080 is certainly the full-time work for
9 almost anybody in any entity. So if the member is allowed
10 at that rate, it certainly includes the vacation time too
11 as well. And I guess that would be between them and the
12 employer.

13 VICE CHAIRPERSON COSTIGAN: I know. That's
14 what -- so, I mean, I'm just trying -- because the numbers
15 just don't -- Mr. Miller is at 61 percent, Ms. Brown is at
16 82 percent. So when you look at these -- and I know that
17 this is just folks. So right now you have two members,
18 for example -- so I'm just trying to calculate. I
19 actually think - maybe, Mr. Gillihan, you can help me out
20 here. I don't -- I know, he's shocked.

21 (Laughter.)

22 VICE CHAIRPERSON COSTIGAN: The State of
23 California is not a 40-hour. It's actually a lower work
24 week, is that correct?

25 CHAIRPERSON TAYLOR: No, we're 40 hours.

1 COMMITTEE MEMBER FECKNER: It's a 40-hour
2 workweek.

3 VICE CHAIRPERSON COSTIGAN: It's 40, but I
4 thought it was 18 --

5 CHAIRPERSON TAYLOR: We're 176 hours.

6 VICE CHAIRPERSON COSTIGAN: There you go.
7 176 times -- well, I'm just trying to get at you
8 have -- well, 176 times 12 is 2,232, which is not 2040.

9 CHAIRPERSON TAYLOR: Yeah, there's an average in
10 there somewhere.

11 VICE CHAIRPERSON COSTIGAN: I understand. My mic
12 is on actually.

13 PRESIDENT MATHUR: No, I know but...

14 VICE CHAIRPERSON COSTIGAN: I understand. I'm
15 just trying to get at what we're having right now is we
16 have two members whose numbers don't match up, who are
17 actually the same currently in their positions on the
18 Board. And I want this document to be accurate. So we
19 have one who's reporting - right or wrong. I'm not saying
20 anything - is the proposed percentage for Ms. Brown is 82
21 percent, the proposed for Mr. Miller is 61 percent. Okay.

22 What's our baseline that we're starting at?
23 Because either you're getting shorted -- you're either
24 going to work 39 percent of the time, or you're not. And
25 you're going 18 percent of the time or you're not. And

1 I'm -- and we're being asked on an action item, and I want
2 to information to be correct. So I just want an answer.

3 CHIEF FINANCIAL OFFICER ASUBONTEN: Yeah. And
4 the answer is there are differences of member activities.
5 As in the case of Ms. Brown, for example, there are other
6 activities that she's engaged in, which is outside of the
7 baseline items that are prescribed, and, for example,
8 speaking engagements of 60 hours and I'm just giving you
9 one.

10 Whereas, in Mr. Miller's case, there isn't
11 none -- there isn't any. So therefore, when you look at
12 them, that creates a difference between the two.

13 VICE CHAIRPERSON COSTIGAN: And those -- and that
14 documentation is being submitted.

15 CHIEF FINANCIAL OFFICER ASUBONTEN: Yes, we have
16 it.

17 VICE CHAIRPERSON COSTIGAN: Okay. So that -- I
18 mean, that explains is that Ms. Miller -- or Ms. Brown is
19 actually engaging in more activities Mr. Miller is not.
20 But now also this document is required to be done
21 quarterly, the reimbursements are done on quarterly.

22 CHIEF FINANCIAL OFFICER ASUBONTEN: (Nods head.)

23 VICE CHAIRPERSON COSTIGAN: So while we may be
24 adopting a percentage on the time, the reimbursements
25 occur on a quarterly basis when they're submitted.

1 CHIEF FINANCIAL OFFICER ASUBONTEN: Correct.

2 VICE CHAIRPERSON COSTIGAN: And then you verify
3 that the -- I mean, in addition to the baseline time of
4 105 hours a month, any additional time such as the
5 additional time that Ms. Brown is doing and giving --
6 meeting with constituents groups.

7 CHIEF FINANCIAL OFFICER ASUBONTEN: Right.

8 VICE CHAIRPERSON COSTIGAN: And if Mr. Miller
9 ends up meeting with constituent groups, you would bring
10 this back to us, if the percentage goes up, or how would
11 this get approved if he -- if Mr. Miller went to 82
12 percent?

13 CHIEF FINANCIAL OFFICER ASUBONTEN: We will -- we
14 will bring it back to this Committee.

15 VICE CHAIRPERSON COSTIGAN: Okay. Thank you.
16 Thank you, Madam Chair.

17 CHAIRPERSON TAYLOR: Sure.

18 Mr. Miller.

19 COMMITTEE MEMBER MILLER: Yeah, I think part of
20 the challenge I've been having is my employer has been not
21 very enlightened on this whole process. Myself, my
22 employee association that I was affiliated with, CalPERS
23 staff have all been doing a phenomenally good job of
24 trying to reduce some of the administrative challenges I
25 faced. As a result, it's been very difficult for me at

1 times just to keep up with even just all the volume of
2 information material that I need to review and research
3 and look at.

4 So I've had very little opportunity, as much as I
5 would like to do it, to be out engaging with constituent
6 groups or anything, understanding that the limitation of
7 the baseline was 61 percent. And I was doing my darndest
8 to live within that, and try to deal with my issues with
9 my employer, which, to some extent, may be a residual of
10 being a union official for 30 years.

11 But going forward, and I'm -- I think I can live
12 within that for another quarter. But there's a lot of
13 opportunities I've missed out on to engage and to do
14 activities beyond just the basic dealing with the learning
15 curve and preparing for these meetings.

16 So I'm not sure how that process works, because
17 it's a chicken and egg thing. My employer is still
18 fighting about who's responsible for my time. And if I go
19 one hour over, they're docking me, and all this stuff. So
20 it's hard for me to demonstrate a need beyond 61 percent,
21 when I am trying desperately not to go beyond the 61
22 percent, because they're threatening to dock my time, if I
23 do at my employer. And so it's kind of a Catch 22 for me,
24 at this point.

25 If I had, you know, gone out and done a lot of

1 engagement, if I did any of it during normal business
2 hours, or anything that would put me over 40 hours in a
3 week on my timesheet, there would be a major challenge
4 with my employer, who has only just in the last few days
5 even executed the MOU with CalPERS to -- for
6 reimbursement, and is now questioning the whole invoicing
7 process, and wanting to go back and redo anything.

8 So I'm just hoping that we can have continuing
9 patience from CalPERS staff and continuing assistance to
10 try to get this sorted out. And perhaps I'll be asking
11 the Board's indulgence for a higher percentage when we
12 revisit this next quarter.

13 CHAIRPERSON TAYLOR: Thank you, Mr. Miller.
14 Mr. Jones.

15 COMMITTEE MEMBER JONES: Yeah. Thank you, Madam
16 Chair. Since we're focusing on some ask --

17 (Laughter.)

18 COMMITTEE MEMBER JONES: -- you have Ms.
19 Hollinger, Mr. Slaton, Mr. Rubalcava and myself on a
20 monthly basis take home is about \$265 And I would like to
21 see what the possibilities are seeking legislation to
22 modify that.

23 I'm not suggesting a fixed amount. I think
24 whatever can be done would be helpful. So I just think
25 that -- and I know many of us probably spend 70 percent of

1 our time, and for two hundred -- take home \$260 a month.
2 So I just think it needs to be addressed.

3 CHAIRPERSON TAYLOR: All right. So I'd like to
4 suggest that, Mr. Asubonten, just that we can look into
5 it. I don't know what -- Matt, if that's even possible,
6 but it is a request from one of the members. I don't know
7 what the legislation is, so...

8 GENERAL COUNSEL JACOBS: Yeah, Chair Taylor, we
9 did look at this a year or two ago, and it would require
10 legislation, because the statutes are quite clear with
11 respect to how much the appointed members get compensated.

12 So that's the answer as far as whether you could
13 do it otherwise. You can't -- it would have to go to
14 legislation.

15 CHAIRPERSON TAYLOR: We'd have to go to
16 legislation. Can we make -- make a recommendation that we
17 at least explore that for our members that are appointed,
18 because this is a lot of work. And those of us that are
19 elected do get reimbursed. So I do think that might be a
20 fair option.

21 But moving on, I have lots of people who want to
22 talk, but nobody on the Committee. So, Ms. Brown.

23 BOARD MEMBER BROWN: Thank you. Mr. Miller, I'm
24 sorry for your troubles. You and I technically hold the
25 same type of position representing all members, but my

1 employer has been very supportive. They were concerned
2 about the MOU format and how and when they would be
3 reimbursed, and does it really work this way, but they
4 have been very supportive.

5 And so when I did the calculation it is an
6 estimate of hours. It looks like I'll be spending 30 to
7 40 hours per month basically meeting with constituents and
8 giving presentations. And just so you know, I regularly
9 accept invitations from the Retired Public Employees
10 Association, the California State Retirees, any other
11 associations or unions that ask for a meeting. I meet
12 with county and city employers, county boards of
13 education. Even the League of Cities asked me to come and
14 meet with them. And I took that meeting and I had a great
15 conversation about how they shouldn't cut the COLA for
16 retirees.

17 And I also do share CalPERS good works. When
18 CalPERS recently came out with sort of how the fund is
19 doing better, Ms. Frost was able to quickly put that into
20 a PowerPoint, because I had two presentations last week.
21 And so I -- I wanted to let you know that because my
22 employer is supportive, I am able to do the things.
23 Remember, we represent all members. I am able to do the
24 things that Mr. Miller you are not, and that's very
25 unfortunate. So I will make sure I say represent you as

1 well.

2 (Laughter.)

3 BOARD MEMBER BROWN: But again, the 82 percent is
4 an estimate. And so I don't automatically suspect that I
5 will be reimbursed at 82 percent on any given month,
6 because I track my hours very closely, and will submit
7 those for reimbursement. So I hope I've got this right,
8 but that's what I'm actually doing with my time.

9 Thank you.

10 CHAIRPERSON TAYLOR: Thank you.

11 Ms. Hollinger.

12 BOARD MEMBER HOLLINGER: Yeah, I --

13 CHAIRPERSON TAYLOR: There you go.

14 BOARD MEMBER HOLLINGER: Thank you. I just
15 wanted to support Mr. Jones' recommendation, because
16 there's a vast disparity between some of the members when
17 we're doing the same amount of work, but there's just a
18 gross disparity in compensation. So I would hope that we
19 would pursue that. Thank you.

20 CHAIRPERSON TAYLOR: Thank you, Ms. Hollinger.

21 Mr. Slaton.

22 BOARD MEMBER SLATON: Thank you, Madam Chair.

23 Just a couple of issues. One is I don't recall
24 this item ever coming back more than once a year. Am I
25 wrong? I just don't recall it. I think it's an annual

1 effort, but maybe it does come back on a quarterly basis,
2 which is it?

3 CHIEF FINANCIAL OFFICER ASUBONTEN: On the
4 document that I have it says annual.

5 CHAIRPERSON TAYLOR: Okay.

6 BOARD MEMBER SLATON: That's what I thought. And
7 when I read the words in the cover memo, "Reimbursement to
8 the elected Board members' employers processed on a
9 quarterly basis, based on the approved percentage of
10 time". So if we approve this once a year, Ms. Brown's
11 employer reimbursement is 82, unless it comes back --

12 CHAIRPERSON TAYLOR: Up to.

13 BOARD MEMBER SLATON: -- to this Committee to be
14 reviewed, and the Board. And for Mr. Miller it's 61
15 percent until it is an agenda item to the Committee, if
16 I'm understanding it correctly. And the typical is a
17 year.

18 CHIEF FINANCIAL OFFICER ASUBONTEN: Right.

19 CHAIRPERSON TAYLOR: That's correct.

20 BOARD MEMBER SLATON: Okay. So there's a couple
21 issues --

22 CHAIRPERSON TAYLOR: AND it's up to. I just want
23 to make sure. So she put 82 percent, but it's up to 82
24 percent or 81.

25 BOARD MEMBER SLATON: That's not -- that's not

1 what it say -- that's not what the words say. So which is
2 it?

3 CHIEF FINANCIAL OFFICER ASUBONTEN: I think it
4 means to say up to. That it is -- that's the ceiling, if
5 you will.

6 BOARD MEMBER SLATON: So you're saying that the
7 actual time reports that go in actually produce the
8 calculation for the amount of time reimbursed?

9 CHIEF FINANCIAL OFFICER ASUBONTEN: Correct.

10 BOARD MEMBER SLATON: So if they turn in hours of
11 74 percent, even though it's 82 --

12 CHAIRPERSON TAYLOR: You only get reimbursed --

13 BOARD MEMBER SLATON: -- the reimbursement is 74?

14 CHAIRPERSON TAYLOR: Yeah.

15 CHIEF FINANCIAL OFFICER ASUBONTEN: Correct.

16 BOARD MEMBER SLATON: Okay. Very good. Now, I
17 understand that.

18 I do think that in these individual calculations
19 that people make, there's some disparity in the maximum
20 that is confusing. So, for Ms. Brown, 82 percent, Mr.
21 Miller 61. They have the same responsibility on this
22 Board and the same participation in terms of being
23 committee members, but not Chairs or Vice Chairs. So, to
24 me, it's strange that the maximum would be different for
25 the two of them.

1 And then for Ms. Brown, her number is higher than
2 Ms. Taylor, who has chairmanship responsibilities, and
3 Vice Chair responsibilities. So I don't -- again, they
4 don't seem to lineup with what the job responsibilities
5 are on the Board.

6 And then lastly, I would comment, since everybody
7 else who's in the same position, two of the four have
8 commented. I'll comment as well. You know, we all took
9 this position with the under -- with the clear knowledge
10 of what the compensation would be. It is nominal. This
11 is effectively a volunteer job. Sometimes I've -- take a
12 flight personally to fly in for a meeting and spend \$600
13 to get \$300 back. So, you know, the math doesn't really
14 work very well.

15 I think though, there is a -- we all have the
16 same fiduciary responsibility. We have the same
17 responsibility in terms of reading the materials. I
18 have -- my constituency are 17-- 1578 employers. For Mr.
19 Jones, he has the entire --

20 CHAIRPERSON TAYLOR: Retiree.

21 BOARD MEMBER SLATON: -- retiree base. And it's
22 just -- it's patently so disparate in terms of the way
23 it's organized in compensation. It doesn't make any
24 sense. So I would encourage something to be done to put
25 it in balance, but I'd also like to see some coherence in

1 terms of what the maximum numbers are for the various --
2 given the positions that people hold on this Board.

3 Thank you.

4 CHAIRPERSON TAYLOR: So -- and before I call on
5 someone else, I just want to comment as I think I proposed
6 last year, 60 some odd percent. But as my duties for my
7 actual job prevailed over CalPERS duties, I was not able
8 to fulfill that percentage, which is how you end up on
9 page, whatever this is -- page two of three with the
10 amount of reimbursement that I got.

11 So it -- these are estimates. I understand if
12 Ms. Brown is already going out and having speaking
13 engagements where Mr. Miller is not, because they're
14 having trouble, you know, with his time off, so -- and the
15 same goes with me whether or not I'm going out on speaking
16 engagements.

17 So it's an estimate based on what you think
18 you're going to be doing. And then at the end of the
19 year, it's up to that amount. So if you over -- if you
20 overshoot it, guess what, you have to post your own time.

21 (Laughter.)

22 CHAIRPERSON TAYLOR: So go ahead Mr. Slaton.

23 Oh, I'm sorry. I thought you were still on

24 BOARD MEMBER SLATON: So in some ways, it's a
25 fiction, because it's really the actual hours.

1 CHAIRPERSON TAYLOR: It's like a budget. You're
2 kind of doing a budget.

3 BOARD MEMBER SLATON: It's like a budget. So the
4 question is why do we create these limits. For what
5 purpose are we doing this? Why isn't it 100 for all of
6 them, because you're going to turn in actual hours. And
7 that's what it's going to be, so why do we have this
8 fictional cap sitting out there? I just don't quite
9 understand why we go through the exercise.

10 CHAIRPERSON TAYLOR: Mr. Asubonten, I don't know
11 if you want to try to answer that.

12 CHIEF FINANCIAL OFFICER ASUBONTEN: Right. And I
13 hope I'm not speaking out of turn. I think in this case,
14 I would advise that we sit down with General Counsel and
15 look and see what the statute says, and what is allowable
16 and what's not allowable.

17 CHAIRPERSON TAYLOR: I'm going to call on Mr.
18 Costigan, because he has it up right now.

19 VICE CHAIRPERSON COSTIGAN: Oh, no that was -- I
20 was just going to say one thing. Mr. Miller, I think one
21 of the difficulties you may be having is the way statute
22 is, the election of the Board doesn't authorize or require
23 your employer to give you time off. What the statute
24 actually says is upon your election, during which the
25 elected Board member is on leave, it's the "on leave" that

1 triggers the reimbursement, not the election to the
2 CalPERS Board, because you're a State agency -- that
3 you're a State employee. So that's the test.

4 So there's nothing that at least it -- which then
5 again begs the question, is that sort of clean up from the
6 standpoint is if one of you that are elected from a local
7 or State agency is the election the triggering event or is
8 the triggering event the on leave, because then there are
9 two -- 20092, the reimbursement for replacement of
10 members. It's clear it's the "is on leave" is the
11 triggering mechanism.

12 So that may be why you're having difficulty with
13 your employer right now.

14 CHAIRPERSON TAYLOR: So I'm going to go to folks
15 that have not yet spoken on this matter.

16 Mr. Gillihan, go ahead.

17 COMMITTEE MEMBER GILLIHAN: Thank you, Madam
18 Chair.

19 So this discussion has been very enlightening. I
20 never fully understood how this process worked. And I
21 understand it quite a bit better. So I want to thank, Mr,
22 Costigan for kicking it off. And in light with -- in line
23 with Mr. Slaton's comments, I think -- I'm not sure 100
24 percent is the right formula for everybody. I certainly
25 think the Board President should be 100 percent, and

1 perhaps the Vice President and the Investment Chair. Well
2 it currently doesn't apply, but I mean

3 (Laughter.)

4 COMMITTEE MEMBER JONES: For \$200.

5 (Laughter.)

6 COMMITTEE MEMBER GILLIHAN: But that could change
7 in the future.

8 (Laughter.)

9 CHAIRPERSON TAYLOR: It could change.

10 COMMITTEE MEMBER GILLIHAN: But I guess my point
11 is I think there should be -- given that the -- it's an
12 up-to amount, I think -- and we don't have to do it today,
13 but I think we should have staff come back with a proposal
14 that has a consistent cap for the remaining elected Board
15 members that aren't the Board President -- that don't hold
16 Board President and perhaps Vice President slot. So I
17 just put that forward as a recommendation for the Chair's
18 consideration.

19 CHAIRPERSON TAYLOR: Okay. All right.

20 So what you're asking, Mr. Gillihan, is a
21 proposal for a consistent cap for -- and what the
22 definitions of whether they're a chair of a committee and
23 that kind of thing?

24 COMMITTEE MEMBER GILLIHAN: I need my --

25 CHAIRPERSON TAYLOR: Oh, did I turn you off

1 again?

2 COMMITTEE MEMBER GILLIHAN: I turned myself off.

3 (Laughter.)

4 COMMITTEE MEMBER GILLIHAN: Something I'm sure
5 you all wish I would do a little more often.

6 CHAIRPERSON TAYLOR: I just want to clarify
7 before I ask, Mr. Asubonten.

8 COMMITTEE MEMBER GILLIHAN: What I was going to
9 say -- the point I was making is I think there should be a
10 consistent cap at a higher threshold, given that it's an
11 up-to amount, so that there's sort of fairness amongst our
12 elected Board members, and then a higher cap for whatever
13 the appropriate positions. Certainly, the Board
14 President, as I said, should be at 100 percent. And
15 perhaps some of the other senior leadership positions.
16 But I would be open to whatever the -- a recommendation
17 would be on that.

18 CHAIRPERSON TAYLOR: Okay. Mr. Asubonten, if I'm
19 incorrect here, let me know. But I thought we have a cap
20 that you guys propose to us when we sign our paperwork.
21 And especially if you're a chairperson. Like, we have the
22 normal this is how many hours is your base.

23 CHIEF FINANCIAL OFFICER ASUBONTEN: Right.

24 CHAIRPERSON TAYLOR: And then if you're a
25 Chairperson and Vice Chair, is that correct?

1 CHIEF FINANCIAL OFFICER ASUBONTEN: You are
2 correct. But in addition to that, there are other things
3 like member meetings and so on, which are written into to
4 make up to the 2080. The -- what is laid out does not add
5 up to the 2080, so there's room. There's flexibility for
6 members to elect what other activities that they do on
7 behalf of us -- or on behalf of the Board, so yes.

8 CHAIRPERSON TAYLOR: So essentially, we do have
9 kind of caps set, and then they can elect to go a little
10 bit higher, if they need to --

11 CHIEF FINANCIAL OFFICER ASUBONTEN: Correct

12 CHAIRPERSON TAYLOR: -- based on their
13 response -- or their other activities.

14 CHIEF FINANCIAL OFFICER ASUBONTEN: Activities,
15 yes.

16 CHAIRPERSON TAYLOR: Okay. Thank you very much.
17 Mr. Miller.

18 COMMITTEE MEMBER MILLER: Yeah. Thank you. And
19 I appreciate Richard's comments. I guess I still have
20 more to learn about how this actually works, and likewise
21 with my employer. I would much prefer to have the
22 flexibility to not worry about going over those amounts
23 and have them be additional out-of-pocket hits, or be
24 docked, or be disciplined by my employer, remembering that
25 this is the same employer that thought that the request to

1 release me for collective bargaining was a request they
2 could say no to, because a first-line supervisor wanted to
3 have me at a staff meeting.

4 And so it's the same kind of situation, they feel
5 this is leave that my first-line supervisor should have
6 discretion over whether to let me go or not. And it's a
7 big kerfuffle, so --

8 CHAIRPERSON TAYLOR: Mr. Miller, I'm sorry. It's
9 kind of -- that's off the subject.

10 COMMITTEE MEMBER MILLER: Yeah. So I think
11 increasing or having more flexibility that I could work
12 within, I've been able to keep it under the 61 percent
13 pretty easily, but that's been at the expense of not
14 really being able to get out and engage with my
15 constituents, or take speaking engagements, or do any of
16 that broader work that I would like to be doing, that this
17 has really constrained me from.

18 I don't necessarily think that I would get to,
19 you know, 80 percent or more, but something beyond the 61
20 percent to have the flexibility would be nice.

21 CHAIRPERSON TAYLOR: All right. Thank you.
22 Mr. Feckner.

23 COMMITTEE MEMBER FECKNER: Thank you, Madam
24 Chair. I just want to point out to the membership and
25 remind the Board members that even though you may be a

1 constitutional position while you're here, you may be an
2 appointee or an electee. But once you're here, all 13
3 members represent everyone in the System, not by section.

4 CHAIRPERSON TAYLOR: Right. Right.

5 Mr. Slaton.

6 BOARD MEMBER SLATON: So just one clarifying --
7 since we're digging into the details. I just want to make
8 sure we all are on the same page of understanding. So
9 let's suppose I'm an elected member, so I'm subject to
10 this policy, and I'm calculating my hours. So let's say
11 I'm going to a conference next Thursday. I'm going to
12 leave Wednesday night. I'm going to attend the conference
13 during the business day. And because it's far away, I'm
14 going to stay over night one more night and come back.
15 What hours do I report? Do I report just the day hours
16 that -- during the work day or do I report all of that
17 travel time, the time on the airplane, the time in the
18 hotel, et cetera?

19 CHAIRPERSON TAYLOR: Eight hour days.

20 BOARD MEMBER SLATON: It's just the eight hours
21 max per day, is that how it's reported?

22 CHAIRPERSON TAYLOR: Um-hmm.

23 BOARD MEMBER SLATON: Okay. Is that true?

24 CHIEF FINANCIAL OFFICER ASUBONTEN: I'll have to
25 look into that.

1 BOARD MEMBER SLATON: Just trying to get a
2 confirmation.

3 CHIEF FINANCIAL OFFICER ASUBONTEN: That's beyond
4 my pay grade right now.

5 (Laughter.)

6 BOARD MEMBER SLATON: Oh. Okay. Well, I
7 understand from the Chair that it's an eight hour day.

8 CHAIRPERSON TAYLOR: Well, I'm going to say that
9 I wouldn't report the evening hours and the travel hours.

10 BOARD MEMBER SLATON: I just want to understand
11 what the rule is, what's reported? Well, you're the one
12 who receives the report, correct?

13 CHIEF FINANCIAL OFFICER ASUBONTEN: Yes.

14 BOARD MEMBER SLATON: Okay.

15 CHIEF FINANCIAL OFFICER ASUBONTEN: And for the
16 most part, they just give us the hours. They don't
17 explain what part of it was for travel, or what part of it
18 was for attending the meetings.

19 CHAIRPERSON TAYLOR: All right.

20 BOARD MEMBER SLATON: So do we have rules or do
21 we not have rules on that?

22 CHAIRPERSON TAYLOR: I don't think that's in --

23 BOARD MEMBER SLATON: Well, I'm just saying I
24 could -- if I'm traveling for a conference, I could turn
25 in 80 hours for going to a two-day conference.

1 CHIEF FINANCIAL OFFICER ASUBONTEN: Let me commit
2 to this. Let me -- when I come back next time with a
3 proposal, I will clarify these things for you, Mr. Slaton.

4 BOARD MEMBER SLATON: Well, for the group.

5 CHAIRPERSON TAYLOR: Well, that would be a year
6 from now.

7 BOARD MEMBER SLATON: Well, yeah, that's -- I'm
8 just -- I just suggest to the Committee that maybe you may
9 want to review this next time the Committee meets, go
10 through it, maybe come up with -- approve these -- I would
11 suggest to the Committee approve these until the next
12 meeting. Come back to the next meeting with maybe a
13 guideline that's a 100, 90, 80. That's a very simple
14 approach that -- so we don't have to go through all the
15 gyrations.

16 But then I do think it's important for us,
17 because this is -- this is money -- the system's money
18 that's paying for this, that we make sure that it, in
19 fact, is the daytime -- you know, part of the 2080 that's
20 coming out, and not nights, and weekends, and travel time,
21 unless that travel time is during the business day.

22 I just want to make sure that we are uniform and
23 that we're following good business practices.

24 CHAIRPERSON TAYLOR: So what I'm hearing is that
25 they -- if you could come back at the next Finance and

1 Administration Committee meeting and just define what the
2 reported hours are supposed to be.

3 CHIEF FINANCIAL OFFICER ASUBONTEN: Okay.

4 CHAIRPERSON TAYLOR: I made an assumption of what
5 they're supposed to be. I would never report overnight.
6 But, I mean, it's an eight-hour workday. That's what I
7 report to my work. In any event, yes, if you could do
8 that.

9 I have a couple more speakers, and then we'll
10 take the recommended action, or we'll take action, I'm
11 sorry.

12 Ms. Mathur

13 PRESIDENT MATHUR: Yeah. No, I was just going to
14 suggest that this -- I think what would be the most
15 prudent course of action is to review the current process,
16 bring back an agenda item at a future date. I'm not sure
17 next meeting is -- that might be too quick. We might need
18 a little bit more time to put something together, and to
19 sort of close discussion on this at this time, and call
20 for the question. I'm not on the Committee, but that
21 would be my recommendation.

22 CHAIRPERSON TAYLOR: So -- and that's fine. If
23 you can't -- if -- Mr. Asubonten, if you don't feel like
24 you can get this back to us at this next meeting, that's
25 fine. But I'm going to go ahead and close discussion. I

1 think everybody has had a chance to have -- you have one
2 more question.

3 Okay. I have one more question, and then we'll
4 go ahead and call the question.

5 Mr. Brown.

6 BOARD MEMBER BROWN: Thank you, Madam Chair.

7 Just a point for Mr. Miller. You might want to
8 change your percentage right now to 80 percent, since it's
9 an up to, and see if the Committee would approve that, so
10 you have the flexibility if you work it out with your
11 employer to take the time you need to do the job.

12 Thank you.

13 CHAIRPERSON TAYLOR: That would take an amendment
14 to the motion.

15 There hasn't been a motion. But right now, I
16 need a motion on the action.

17 COMMITTEE MEMBER JONES: I move the action with
18 the adjustment for --

19 PRESIDENT MATHUR: Microphone.

20 CHAIRPERSON TAYLOR: Microphone. Hold on.

21 Sorry, Henry. I thought you were on.

22 I clicked it. It didn't work.

23 COMMITTEE MEMBER JONES: Yeah. Okay. Something
24 has gone -- yeah, I would move the approval of this with
25 the proviso that Mr. Miller's time be raised to up to 80

1 percent.

2 CHAIRPERSON TAYLOR: All right. Any second?

3 COMMITTEE MEMBER FECKNER: Second.

4 COMMITTEE MEMBER MILLER: I'll second it.

5 CHAIRPERSON TAYLOR: Okay. Seconded.

6 Motion made by Mr. Jones, seconded by Mr.

7 Feckner.

8 CHAIRPERSON TAYLOR: All those in favor?

9 (Ayes.)

10 CHAIRPERSON TAYLOR: All those opposed?

11 (No.)

12 CHAIRPERSON TAYLOR: Motion carried. Thank you.

13 So we moved on to -- oh, I am so sorry, Mr.

14 Jelincic. I have a comment from Mr. Jelincic. You can

15 come down to this microphone. I have apologize. I got so

16 excited that we were finally done.

17 MR. JELINCIC: J.J. Jelincic, CalPERS member,

18 former Board member. I will tell you that my time on the

19 Board really was about 90 percent. Now, I got reimbursed

20 for 100 percent, because the -- it wasn't particularly

21 desirable that I go to my work site and talk to worker

22 bees. I learned things that Board members probably

23 shouldn't know, so I got reimbursed for 100 percent.

24 So I was going to encourage you to raise David's.

25 You did that.

1 But what I really wanted to talk about was
2 legislation. I think you ought to pursue that. When I
3 was on the Board, I encouraged that. I suspect part of
4 the reason it didn't fly was because of who was -- the
5 proponent was. But you need to address not just the
6 appointeds Henry is an elected, but he's not -- you know,
7 he only is getting the same as the appointed.

8 Richard Costigan, who's from SPB, gets nothing.
9 And if you want people to do the work, then, you know, we
10 ought to pay appropriately.

11 Years ago, Dave Elder actually proposed
12 legislation that allowed the Board to set its own
13 salaries. I will tell you he had a devious purpose for
14 that, and that was he thought you would set your salaries
15 high enough that you would all get thrown off the Board.

16 But there is -- there is something that really
17 needs to be thought about in this legislation, but don't
18 forget Henry and the process.

19 Thank you.

20 CHAIRPERSON TAYLOR: Thank you, Mr. Jelincic.

21 All right. So moving on to Agenda Item 6b. And
22 it is an action item. Almost everything is an action
23 item.

24 I'm sorry, Mr. Asubonten. Oh, no -- yeah, this
25 is IT. Mr. Farland and Mr. Benson.

1 (Thereupon an overhead presentation was
2 presented as follows.)

3 CHIEF INFORMATION OFFICER FARLAND: Good morning,
4 Madam Chair, members of the Committee. Christian Farland,
5 CalPERS team member. With me today is CalPERS Chief
6 Technology Officer, Dirk Benson.

7 Our request today is for authorization to extend
8 our current back-up and restoration disaster recovery
9 contract an additional three months. The current contract
10 expires June 30th. We -- as many of you know, we have
11 entered into a contract with a new service provider for
12 our back-up and recovery support.

13 However, we're on a very tight timeframe for
14 that. So from a risk mitigation perspective, we are
15 looking to have that implemented by June 30th. If we were
16 not to meet that timeframe, we would be without a back-up
17 and recovery scenario, and we don't feel that that is good
18 business, nor does it meet our requirement of State law.

19 So we're requesting an additional three months
20 as -- an insurance policy. That concludes our comments,
21 if there's any questions, we'd like to answer them.

22 CHAIRPERSON TAYLOR: So very quickly, myself, I
23 do have a question for you. So if -- you're asking for
24 three additional months --

25 CHIEF INFORMATION OFFICER FARLAND: Correct.

1 CHAIRPERSON TAYLOR: -- for the current
2 contractor. But if you are able to implement with the new
3 contractor timely, you -- are you going to cancel that?
4 You're not going to pay --

5 CHIEF INFORMATION OFFICER FARLAND: That is
6 correct, yes.

7 CHAIRPERSON TAYLOR: And there is something in
8 the contract that states --

9 CHIEF INFORMATION OFFICER FARLAND: We're waiting
10 as long as we can before we actually execute this. So
11 this is request for authorization. We're not necessarily
12 entering into that. We may, but we need your approval to
13 be able to do that, because this is beyond the term of the
14 current contract.

15 CHAIRPERSON TAYLOR: So my concern is that we're
16 not double paying for work?

17 CHIEF INFORMATION OFFICER FARLAND: Correct, we
18 will not double pay.

19 CHAIRPERSON TAYLOR: Okay. All right. Mr.
20 Gillihan.

21 COMMITTEE MEMBER GILLIHAN: Thank you Madam
22 Chair. Disaster recovery is sort of a non-discretionary a
23 business cost.

24 And for that reason, I move the staff
25 recommendation.

1 VICE CHAIRPERSON COSTIGAN: Second.

2 CHAIRPERSON TAYLOR: Okay. The motion was moved
3 by Mr. Gillihan seconded by Mr. Costigan.

4 All those in favor?

5 (Ayes.)

6 CHAIRPERSON TAYLOR: All those opposed?

7 All right, motion carries.

8 We're moving on to 7, actuarial reporting. And
9 Mr. Terando.

10 (Thereupon an overhead presentation was
11 Presented as follows.)

12 CHAIRPERSON TAYLOR: Our famous actuaries.

13 (Laughter.)

14 CHIEF ACTUARY TERANDO: Good morning, Madam
15 Chair, members of the Committee. Scott Terando, CalPERS
16 team member.

17 We have -- we have for you today two action
18 items. The first item, which will be presented by Kelly
19 Sturm, will go over the State valuation from 2017. And
20 this will establish the 18-19 fiscal year contribution
21 rates. After that, Randy Dziubek will present the
22 schools' valuation, which will also establish the
23 contribution rates for 18-19 fiscal year.

24 With that, I'll pass it along to Kelly, at this
25 point.

1 SENIOR PENSION ACTUARY STURM: Thank you, Scott.
2 Good morning, Madam Chair, members of the Committee.
3 Kelly Sturm, CalPERS team member.

4 Today, I'm going to present to you the results of
5 the State annual valuation report and the employer and
6 employee contribution rates that we're recommending for
7 the 2018-19 fiscal year.

8 So this -- in general, there are five State
9 plans.

10 --o0o--

11 SENIOR PENSION ACTUARY STURM: They're listed on
12 the screen above. But school employees are considered
13 part of a separate valuation, so Randy is going to go over
14 that next with his presentation.

15 There were a number of notable events over the
16 last year, since the last valuation.

17 --o0o--

18 SENIOR PENSION ACTUARY STURM: So first, the
19 investment return, the PERF earned an 11.2 percent
20 investment return during the 2016-17 fiscal year. So that
21 had some positive results on the valuation.

22 Secondly, the Board adopted some new actuarial
23 assumptions at its December 2017 meeting. These included
24 demographic assumptions, so those are assumptions related
25 to say retirement rates or mortality. And also, the Board

1 adopted a new inflation assumption. That is going to be
2 phased in over a two-year period from 2.75 percent down to
3 two and a half percent.

4 This valuation reflects an inflation assumption
5 of 2.625, so that's the first step of that inflation
6 assumption decrease.

7 The third notable event was that the State made
8 an additional \$6 billion contribution towards the paying
9 down of the unfunded liability. And lastly, the Board
10 adopted changes to the Amortization Policy in February.
11 This valuation does not reflect those changes, because
12 those are slated to first impact the June 30th, 2019
13 valuation that we'll bring to you in about two years.

14 --o0o--

15 SENIOR PENSION ACTUARY STURM: So going back to
16 that \$6 billion additional contribution by the State, SB
17 84 directed the State to contribute it in three installment
18 payments, \$2 billion at a time. So to date, \$4 billion
19 has been paid in. And the last remaining payment of two
20 billion is scheduled to come in today.

21 It was allocated amongst the plans roughly based
22 on their share of the State's unfunded liability as of
23 June 30th, 2016. Obviously, the numbers have been
24 rounded, but it's roughly based on that.

25 And because this valuation is as of June 30th

1 2017, and those contributions were made after that date,
2 the asset value and the funded status do not reflect that
3 contribution. But we are able to build it into the
4 2018-19 fiscal year contribution rates, because we know
5 that the money is coming in. So that's had a pretty
6 positive impact on those contribution rates.

7 --o0o--

8 SENIOR PENSION ACTUARY STURM: So looking at the
9 overall results of the valuation, the State plans -- you
10 know the sum of the five plans has about \$122 billion of
11 assets in the PERF. The accrued liability measures about
12 \$180 billion. So that leaves an unfunded liability of
13 about \$58 billion to \$59 billion. You'll also see that
14 the contributions from 2017-18 to 2018-19 are expected to
15 increase, but we knew that already.

16 There's a number of reasons for the increase. A
17 big part of it is, what we call, the progression of the
18 amortization basis. Our Amortization Policy does ramp in
19 a number of costs over a five-year period. So due to the
20 ramping effect, we are seeing increases in contributions.

21 This valuation was also based on a discount rate
22 of 7 1/4 percent, which is a reduction in discount rate 7
23 3/8 of the last valuation. If you'll recall, in December
24 of 2016, the Board reduced the discount rate from 7 1/2
25 half down to 7 percent in a three-step process. So this

1 --o0o--

2 SENIOR PENSION ACTUARY STURM: Also, on page six
3 of the annual valu -- of the agenda item, we do have more
4 information. There's an additional statutory contribution
5 that the State has to make due to Government Section code
6 20683.2. That was added during pension reform when member
7 contribution rates were increased, and the State is
8 required to take any savings that they would have realized
9 due to those member contribution rate increases, and send
10 it in as an additional contribution towards the unfunded
11 liability.

12 This is subject to appropriation by the State
13 during the annual Budget Act, and is not something that
14 we're recommending be adopted by the Board, because it's a
15 separate process that the State has to take.

16 So this is just provided for information.

17 --o0o--

18 SENIOR PENSION ACTUARY STURM: So moving on to
19 the funded status of the plans. The funded is, in
20 general, you know, a measure for the overall health of the
21 plans. Every plan has its own funded status. But across
22 the State plans as a whole, it's about 67.4 percent funded
23 at of June 30th, 2017. That's an increase of about 2.3
24 percent from the prior year.

25 And again, this doesn't reflect the \$6 billion

1 additional contributions, so that should have a positive
2 impact for the next valuation.

3 --o0o--

4 SENIOR PENSION ACTUARY STURM: Moving on to
5 member contribution rates. There is a recommended change
6 to the member contribution rates for a subset of the
7 employees. If you'll recall, most State employees are
8 actually exempt from the PEPRA requirement that the
9 members pay 50 percent of total normal cost. But there
10 are three groups that are not exempt from this.

11 They are the employees of the legislature, the
12 California State University, and the Judicial Branch.
13 Their member contribution rate is slated to change when
14 the total normal cost increases by more than one percent
15 from the last time it was set.

16 So for these groups, they did reach the threshold
17 of the one percent, and we're recommending a contribution
18 increase from 6 1/2 to 7 1/4. This is just for the State
19 miscellaneous members and those employers.

20 The information is detailed in attachment 7. But
21 I should also note that there are some members in the
22 peace officer/firefighter category that are subject to
23 this, but their threshold only went up by 0.9. But it's
24 looking like it's possible that next year they may see a
25 member contribution rate increase, because we are lowering

1 the discount rate again.

2 --o0o--

3 SENIOR PENSION ACTUARY STURM: So lastly, we did
4 put in a projection of future contribution rates. In the
5 next year, it looks like they're going to increase again.
6 This is largely due to the discount rate change from 7 1/4
7 down to 7 percent. But if you'll notice in the later
8 years, it does seem to be leveling off quite a bit.

9 The \$6 billion additional contribution from the
10 State went towards paying down these discount rate
11 changes. So it is taking, you know, several layers that
12 would have been ramped out of the picture. So now, the
13 contribution rates aren't increasing quite as much as they
14 would have.

15 We are expected to put out a full valuation
16 report this summer, that will have information about our
17 assumptions, our methods, and the participant data, and
18 will also have a revised projection that includes the
19 investment return from the 2017-18 fiscal year.

20 And with that, I'd be happy to take any
21 questions.

22 CHAIRPERSON TAYLOR: All right. Thank you very
23 much for your presentation.

24 I just had one quick question before I by on to
25 one of our other Committee members. On page nine of 10,

1 member contributions for the PEPRA group in the State
2 plans are going from 6.5 to 7.25 percent effective July 1,
3 2018? Do we have an idea of how many members that impacts
4 by any chance?

5 SENIOR PENSION ACTUARY STURM: We don't have that
6 information.

7 CHAIRPERSON TAYLOR: Okay. I'm just --

8 SENIOR PENSION ACTUARY STURM: Or I can gather it
9 for you and get back to you.

10 CHAIRPERSON TAYLOR: I'm just a little curious as
11 to how many members that's currently going to impact that
12 also -- I know we planned for it. And it's just that it
13 seems like it's going to be a ding on people's salaries.
14 And that does concern me, anyway.

15 Mr. Jones.

16 COMMITTEE MEMBER JONES: Yeah. Thank you, Madam
17 Chair. Yeah, first question is I know this is a State
18 actuarial valuation. But the one percent -- the growth of
19 one percent, then the member shares in the increased
20 contribution. You talk about the State, these three
21 categories that are not exempt, well -- but the -- would
22 that provision affect all school and all cities and
23 counties employees, is that correct?

24 SENIOR PENSION ACTUARY STURM: Yes.

25 COMMITTEE MEMBER JONES: Okay. PEPRA. Yeah,

1 hired after January 2015, I think, or something like that.

2 SENIOR PENSION ACTUARY STURM: Thirteen, yes.

3 COMMITTEE MEMBER JONES: Okay. Okay. Yeah.

4 The second question is I -- I know that we're
5 looking at the State unfunded liability, and we are also
6 looking at the schools' unfunded liability.

7 Are you okay?

8 SENIOR PENSION ACTUARY STURM: Yes.

9 COMMITTEE MEMBER JONES: Okay. I know we're
10 looking at the State's unfunded liability, 58 --
11 approximately 58 billion, and then looking at the schools
12 approximately 23.6 billion. So what is the local
13 agents -- public agencies unfunded liability, so I can get
14 a total number.

15 SENIOR PENSION ACTUARY STURM: We don't know that
16 information offhand.

17 COMMITTEE MEMBER JONES: The reason I'm asking
18 because there have been some, I think, incorrect
19 information in the LA Times about CalPERS's unfunded
20 liability, and I just want to get the right number, so I
21 can send them a note to correct it.

22 CHAIRPERSON TAYLOR: So we can have -- direct
23 staff to do that.

24 CHIEF ACTUARY TERANDO: Yes.

25 To your questions, we're right in the middle of

1 the process of working on the public agency valuations
2 right now. And usually our goal is to kind of wrap-up the
3 vals by the July time frame. So we can get you -- we can
4 get you an estimate now, and then in July we can get you a
5 more accurate number.

6 COMMITTEE MEMBER JONES: Okay. Good. Because I
7 think the number I remember in the LA Times was \$140
8 billion. And if I'm already with 82 for two-thirds of our
9 fund, then how do I get to 140, you know? Okay.

10 CHAIRPERSON TAYLOR: All right.

11 SENIOR PENSION ACTUARY STURM: If I may, Ms.
12 Taylor, we just received the information that there's
13 about 15,000 members that are subject to that provision of
14 PEPRA that will have their member rate increase --

15 CHAIRPERSON TAYLOR: Okay. Thank you very much.

16 SENIOR PENSION ACTUARY STURM: -- as of June
17 30th, 2017, 15,000.

18 CHAIRPERSON TAYLOR: Fifteen thousand.

19 SENIOR PENSION ACTUARY STURM: Yeah.

20 CHAIRPERSON TAYLOR: All right. Thank you very
21 much. Seeing no other questions, and this is an action
22 item

23 COMMITTEE MEMBER JONES: Move approval.

24 COMMITTEE MEMBER GILLIHAN: Second.

25 CHAIRPERSON TAYLOR: All right. Moved by Mr.

1 Jones, and seconded by Mr. Gillihan.

2 All those in favor?

3 (Ayes.)

4 CHAIRPERSON TAYLOR: All those opposed?

5 All right. Motion carries.

6 Moving to 7b, Schools Valuation and Employee
7 Contributions. Mr. Terando, are you presenting?

8 CHIEF ACTUARY TERANDO: Randy Dziubek will go
9 ahead and present this item.

10 CHAIRPERSON TAYLOR: Randy. Thanks.

11 DEPUTY CHIEF ACTUARY DZIUBEK: Good morning,
12 everyone. Randy Dziubek, CalPERS actuarial team.

13 I will run through a very similar presentation
14 for the schools pool that you just heard from Kelly on the
15 State valuation.

16 --o0o--

17 DEPUTY CHIEF ACTUARY DZIUBEK: This also is a
18 June 30, 2017 valuation, so assets and data collected as
19 of that date. As with the State valuation, there is a
20 one-year lag between the valuation date and the year for
21 which our required contributions are due, which will be
22 fiscal year 2018-19.

23 One difference with the schools pool is we value
24 the pool as a whole. So all schools, all school districts
25 are combined. We do a total valuation. We compute a one

1 total required employer contribution that everybody pays.

2 --o0o--

3 DEPUTY CHIEF ACTUARY DZIUBEK: As far as
4 significant events since the last valuation, many of these
5 are similar to those that Kelly talked about with regard
6 to the State plan. We also received an 11.2 percent
7 return for the year ending June 30, 2017, which is good
8 news of course.

9 With regard to the assumption changes that were
10 adopted in December of 2017 - and again, these are
11 demographic assumptions, mortality, retirement, as well as
12 the inflation assumption - we're doing something a little
13 bit differently for the schools pool. If you remember,
14 when the discount rate decision was made to lower from 7
15 1/2 and a half to 7 percent over a three-year period,
16 there was also a decision made to delay that schedule for
17 the schools pool by one year.

18 So the schools valuation is taking its first
19 decrease in this discount rate, in this valuation, whereas
20 the State is taking it's second decrease. And so to
21 remain consistent with the implementation of the discount
22 rate changes, we are delaying these demographic changes
23 until the '18 valuation.

24 So the '17 results that we'll talk about do not
25 reflect these changes. Although, they're expected to have

1 a minor impact on the results. However, our projections
2 at the end of the presentation do reflect these changes.

3 And as Kelly said, with regard to the
4 amortization policy changes recently adopted, you will see
5 no impact of those in this presentation. You will not see
6 any impact of those changes until we do the 6/30/2019
7 valuations.

8 --o0o--

9 DEPUTY CHIEF ACTUARY DZIUBEK: So looking at the
10 main results of the valuation this year, our assets have
11 increased from about 55 billion to 60 to 61 billion. Much
12 of that increase is due to the 11.2 percent return for the
13 year, which was higher than our expected return.

14 Accrued liabilities have increased from 77
15 billion to about 84 billion. You can also think of that
16 as the funding target. We call it accrued liability. But
17 that's ideally where we would like the assets to be for
18 all of our plans. We do expect a normal increase in that
19 number, just due to the passage of time, but we also took
20 our first decrease in the discount rate. So that
21 contributed to the increase in the accrued liability.

22 Our unfunded liability has grown a little bit as
23 a dollar amount, but it actually has reduced a little bit
24 as a percentage of our funding target, which you can see
25 by the funding status having increased from 71.9 to 72.1

1 percent.

2 Now, with regard to required employer
3 contributions, we are increasing from a rate determined
4 last year of 15.531 percent. So that's the rate that
5 folks are currently paying. We are going to go to 18.062
6 percent for the year beginning 7/1/18. And that looks
7 like a material increase, and it is a material increase,
8 but much of that -- as with the State valuation, much of
9 that is due to items that we knew about last year, a
10 couple years worth of investment losses, the first of our
11 discount rate changes, and the associated ramps that we
12 use that phase in the costs of those items over a
13 five-year period.

14 So we're increasing every year in our
15 contribution rate as a result of those items that already
16 occurred until we hit the top of the five-year ramp.

17 We did project -- our most recent projection,
18 based on last year's data, was 17.7 percent for the
19 employer rate. So we are coming in a little bit higher
20 than that, and that's the result of just collecting new
21 demographic data and running through all of our valuation
22 software.

23 The PEPRA member contribution rate is also
24 increasing, as it is for State members, from 6 1/2 to 7
25 percent. So as Mr. Jones mentioned, the 50 percent

1 requirement is in place for schools for public agencies.
2 But the numbers calculated, specifically for each group,
3 it's half -- generally half of the normal cost of that
4 group. So that's why ours is going to 7 percent. The
5 State rate was 7 1/4.

6 --o0o--

7 DEPUTY CHIEF ACTUARY DZIUBEK: Slide 5 provides a
8 little bit more information on the required contribution.
9 We've got it split between normal cost and unfunded
10 liability. Normal cost is generally the ongoing required
11 rate to fund the accrual of benefits for your active
12 workforce, so that we fully fund benefits from entry age
13 to retirement age.

14 So if the plan was 100 percent funded, that would
15 be your total contribution or the schools' total
16 contribution, the normal cost component. Now, when our
17 assets fall short of our funding targets, we have to make
18 a payment towards the unfunded liability, and that's what
19 the 9.323 percent is for. So actually, this year, our
20 payment towards unfunded liability actually exceeds the
21 payment towards normal cost.

22 Now, with regard to the projected dollar amounts,
23 we simply project payroll based on what we have. We don't
24 know what payroll will be for the year starting July 1st,
25 2018. But we do a projection, and we apply the rates

1 above, and we come up with estimates for the dollar
2 contributions, which are increasing from about 2 billion
3 this year to almost 2 1/2 for next year.

4 --o0o--

5 DEPUTY CHIEF ACTUARY DZIUBEK: The recent history
6 of funded status has kind of the same shape as the State
7 valuation. We hit a peak of 86.6 percent as of June 30,
8 2014. And then we had a couple years of asset performance
9 lower than our expected return, which drove the funded
10 status down. And now, we're seeing a little bit of an
11 increase this year from 71.9 to 72.1.

12 That's generally due to the 11.2 percent return
13 being offset by the impact of taking the first discount
14 rate change.

15 --o0o--

16 DEPUTY CHIEF ACTUARY DZIUBEK: Now, with regard
17 to PEPRA members, I'll give a little bit more detail on
18 that calculation. As I said, the required member rate is
19 generally half of the total normal cost of the PEPRA
20 group, subject to some additional rules.

21 One of those rules is that if the normal cost
22 increases by something less than one percent, there's no
23 change in the member rate. So there has to be an increase
24 of at least one percent. The increase that we experienced
25 this year was from 12.91 percent to 14.07 percent. So we

1 just crossed that one career -- one percent barrier, which
2 required the increase in the member rates. So we then
3 take half of the 14 percent, which is where the seven
4 percent comes from.

5 The good news is as far as our projections go,
6 and this assumes things play out as our assumptions would
7 predict, we don't expect that seven percent over the next
8 few years to increase. That's not saying that it won't or
9 it can't, but on a projected basis, we think it might stay
10 at seven percent for a couple careers.

11 --o0o--

12 DEPUTY CHIEF ACTUARY DZIUBEK: Okay. And lastly,
13 we just want to look at the projected rates going forward.
14 We don't show the current year result here. But remember,
15 that was 18.062 percent.

16 And then slide 8 then shows projected rates going
17 forward all the way through year 2025-26. We see a
18 steeper increase in rates from now through the second from
19 last year, going all the way up to 26 percent. That's a
20 little bit steeper of an increase than the State plan.
21 But as Kelly mentioned, the State projections were helped
22 by the additional \$6 billion contribution.

23 By the time we get to that second row from the
24 bottom, we're at the top of all of our ramps with regard
25 to investment losses and discount rate changes that we

1 know of. And so, at that point, we don't expect increases
2 going forward. In fact, we expect a little bit of a
3 decrease as more classic members turnover and are replaced
4 by PEPRAs members, who generally cost us less.

5 So with that, I'll be happy to take any
6 questions.

7 CHAIRPERSON TAYLOR: I'm seeing no questions from
8 the Committee right now, so I'd like to entertain a motion
9 for the recommended action.

10 COMMITTEE MEMBER JONES: Move it.

11 COMMITTEE MEMBER GILLIHAN: Second.

12 CHAIRPERSON TAYLOR: Moved by Mr. Jones, seconded
13 by Mr. Gillihan.

14 On the recommendation for the schools valuation
15 and employer/employee contribution rates, all those in
16 favor?

17 (Ayes.)

18 CHAIRPERSON TAYLOR: All those opposed?

19 All right, motion carries. Thank you very much.

20 All right. We are moving on to

21 Oh, we do have one public comment. I'm sorry.

22 Carlos Machado, California School Board's. Are you still
23 here?

24 Yes, you are.

25 And you'll have three minutes on that mic, yeah.

1 MR. MACHADO: Good morning, Carlos Machado with
2 the California School Board Association. Appreciate the
3 time to address you on this item.

4 We recognize how this proposal fits into the
5 funding for the plan. We're not hear to speak against the
6 item. Just wanted -- we felt our obligation to highlight
7 what impact this would have on schools in California.

8 The increase from 17/18 to 18/19, about 450
9 million, represents about \$60 per student. For a school
10 the size of -- a school of 500, that's about \$30,000. In
11 the era where we're at right now with funding reaching
12 pre-recession levels, it's really having an impact, not
13 just the pension costs, but other employer costs. Right
14 now, we're 41st in per pupil funding, 45th in
15 pupil-teacher ratios, and 48th in people staff ratios

16 So we're finding that as these costs increase,
17 we're having to either cut programs or reach into our
18 reserves. We'll be working with the policy makers in the
19 State to try to get funding outside of Prop 98 to help us
20 with these impacts, but we wanted to just highlight the
21 impact that these are having on the classroom and on
22 students, and appreciate working with you and your staff
23 to address these issues going forward.

24 Thank you very much.

25 CHAIRPERSON TAYLOR: All right. Thank you, Mr.

1 Machado.

2 Moving on to 8a, Program and Administration,
3 Semi-Annual Health Plan Financial Report. And that --
4 Gary McCollum. Mr. McCollum.

5 SENIOR LIFE ACTUARY McCOLLUM: Good morning,
6 Madam Chair, members of the Committee. Gary McCollum,
7 CalPERS team.

8 This is Item 8a, Semi-Annual Health Plan
9 Financial Report. It is an informational item.

10 We summarize in this report the 2016 financial --
11 excuse me, the 2017 financial results for the HMO
12 flex-funded plans and also the PPO plans.

13 So I'll start with the PPO plans. Give you a
14 brief -- a very brief overview of the highlights.
15 Attachment 1 has the information for the PPO plans.
16 Actual reserves above the actuarial reserve requirements
17 are about 120 million.

18 Overall, that's a ratio of assets to reserves of
19 120 percent. And for comparison purposes, in 2016, that
20 ratio was at 118 percent.

21 So medical claims costs for the basic plan are on
22 the rise in 2017. They range from 6 to 10 percent. For
23 the Medicare plans, the Choice Medicare is a concern. It
24 has a medical cost trend at 10 percent. But the other two
25 are doing just fine.

1 Pharmacy claims costs are all very favorable.
2 All of them currently are at a negative trend. That's
3 primarily the benefit of changing to better pricing with
4 Optum in 2017. And enrollment increased by just 1.3
5 percent over 2016 enrollment.

6 So moving to the HMO plans. In 2017, assets for
7 the HMO plans totaled just over 200 million. And that was
8 an increase of 109 million from the end of 2016.
9 Additional subsidies and rebates, and also some risk
10 transfer payments account for the majority of that
11 increase. Medical and pharmacy claims costs are shown on
12 pages four and five of attachment 2. And as I've stated
13 in previous reports, the large movement that has occurred
14 over the past several years in the HMO plans makes
15 analysis of the claims costs for the individual plans very
16 difficult to interpret. So I'm -- I'll just give you the
17 information in total.

18 And unfortunately, I have to report that the
19 pharmacy costs that are on page five for the total, not
20 for the individual -- the individual plans those amounts
21 are correct, but the box in the lower right-hand corner
22 total all plans, those numbers are in error, I'm sorry to
23 report.

24 Excuse me.

25 They will be corrected in the next report. And

1 the only good news about having to report that error is
2 that the trend for the pharmacy, which according to that
3 in an overall basis looks pretty bad, actually was very
4 good. It was 1.3 percent when you make the correction for
5 the numbers. The medical costs increased a total of five
6 percent in 2017.

7 So total enrollment in the HMO plans decreased by
8 about 28,000. And that was primarily due to the
9 elimination of Blue Shield's NetValue plan. So the new
10 plans, which had been increasing significantly over the
11 years from 2014 through 2016 had a much smaller increase
12 in 2017.

13 So that concludes my report. If there's any
14 questions, I will be happy to answer them.

15 CHAIRPERSON TAYLOR: Seeing no questions from the
16 Committee. That was an information item.

17 SENIOR LIFE ACTUARY McCOLLUM: Thank you.

18 CHAIRPERSON TAYLOR: I do have one person from
19 the public that wants to speak on 8a, and that's Mr.
20 Woodson. Thank you.

21 If we could turn on that microphone.

22 MR. WOODSON: Good morning. Larry Woodson,
23 California State Retirees. Madam Chair, thank you for the
24 opportunity to comment this morning.

25 I have brief comments. Just some observations,

1 and one point I'd like to make regarding the analysis of
2 the PPO plans and the actual reserve amount.

3 As Mr. Collier[SIC] reported a total reserve of
4 729 million. The required reserves are 609.8 million,
5 which to a lay stakeholder seems like a lot of money, but
6 I'm sure CalPERS feels like it's a prudent amount for some
7 catastrophic event or pandemic.

8 But the fact that the reserves above the
9 actuarial required amount have consistently been over \$100
10 million, the last semi-annual report was 106 million. And
11 now, they're a hundred -- about 120 million. I think that
12 to have that kind of money sitting there -- and I
13 understand that there may be some proposals to the Board
14 upcoming for transfer of that money to beneficial use.

15 But the point I'd like to make is that over this
16 period of time, where this surplus to the surplus has
17 existed in a pretty large quantity, there have been
18 proposals before this Board to double and triple the
19 amount of out-of-pocket expenses to members covered by
20 these plans in the form of increased deductibles and
21 coinsurance, and copays.

22 And I appreciate the fact that the staff took
23 stakeholder input, and greatly reduced the amount of those
24 increases. They did double the increases to select, as
25 you know, with the opportunity to bring them down with

1 rebates.

2 But I just think you will have before you this
3 week today in the next Committee meeting, I think a
4 proposal to almost double copays for PERSCare and PERS
5 Choice.

6 So to have that kind of surplus, and at the same
7 time taking money out of our pockets, I guess I would just
8 say what's wrong with that picture? And I would ask you
9 to perhaps look at that inconsistency as well. You'll be
10 hearing more from us in the next Committee meeting on
11 rates.

12 And thank you for the opportunity to comment.

13 CHAIRPERSON TAYLOR: Thank you, Mr. Woodson.

14 All right. Moving on to 8b, Reporting on
15 Participating Employers. And for that, I'm looking for
16 Arnita Paige and Andy Nguyen.

17 (Thereupon an overhead presentation was
18 presented as follows.)

19 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

20 PAIGE: Good morning, Madam Chair and members of the
21 Committee. Arnita Paige my|CalPERS -- excuse me, CalPERS
22 team member.

23 Agenda Item 8b provides updates on reporting on
24 participating employers. This update includes the
25 Committee's direction to provide a revenue funding source

1 column in the JPA summary report, and provide the status
2 of Herald Fire Protection District.

3 Andy Nguyen, Assistant Chief of Pension Contract
4 Services is here to assist with presenting this item.

5 I would like to direct your attention to our
6 presentation.

7 --o0o--

8 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

9 PAIGE: Slide 2, our joint power authority report provides
10 an update on our ongoing efforts to identify the number of
11 contracting JPAs and our review of the JPA agreements. We
12 identified a total of 162 contracting JPAs, of which we
13 now have 152 JPA agreements, which increased from 149 when
14 we last reported.

15 Nine of the JPA agreements do not contain a
16 clause that indemnifies the public agencies forming or
17 participating in the JPA from having its liabilities
18 revert back to those members agencies.

19 The last two columns addresses the Committee's
20 direction in December to add revenue source information.
21 These JPAs receive some level of funding from their member
22 agencies.

23 Eighty-six received much of their funding from
24 taxes, or fees, or a combination of both. And 66 received
25 the majority of their funding from their member agencies.

1 to them shortly.

2 --o0o--

3 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

4 PAIGE: The Employer Account Service Division is also
5 working with one -- the last employer in this group to
6 verify membership information.

7 Moving to the next column, we continue to assess
8 and monitor these agencies. We have -- and I'm referring
9 to the ones with 152 total. They are -- I want to again
10 reiterate that they are current on their pension
11 obligations. They have ballot service agreements or have
12 outsourced operations, or their active members are in
13 another defined benefit system.

14 --o0o--

15 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

16 PAIGE: To improve clarity and transparency, we made
17 changes to our report on agencies who are in the process
18 of voluntarily terminating this system since we last
19 reported. We added the agency type, number of members,
20 and the date termination cost is due, and the date the
21 cost is either paid in full or we have a settlement in
22 plan -- I mean a settlement plan in place.

23 We will provide an update on Herald Fire
24 Protection District and our collection report update.
25 Here are the names of the four agencies who provided their

1 intent to voluntary terminate, and these agencies plan to
2 resolve their termination cost.

3 --o0o--

4 CHAIRPERSON TAYLOR: So can I stop you for just a
5 moment?

6 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

7 PAIGE: Sure.

8 CHAIRPERSON TAYLOR: I have a question from a
9 Committee member.

10 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

11 PAIGE: Absolutely.

12 VICE CHAIRPERSON COSTIGAN: So I just -- I'd like
13 to know more about Central Sierra Planning Council. It
14 looks like they actually did a notice of termination in
15 2011.

16 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

17 PAIGE: Sure. We had -- the -- we had some -- Central
18 Sierra actually fell delinquent about a year ago. And we
19 had discussions with them. They were considering
20 terminating their contract. But they recently contacted
21 us early last year stating that they wanted to terminate
22 and they were working with their member agencies to do so.

23 So they are -- they're more in motion in terms of
24 they plan to terminate their contract, and they discussed
25 that they plan to send us a final resolution to terminate

1 shortly.

2 VICE CHAIRPERSON COSTIGAN: Okay. I'm sorry. It
3 says the Notice of Intent to terminate was in 2011.

4 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

5 PAIGE: Yes.

6 VICE CHAIRPERSON COSTIGAN: It was eight years
7 ago.

8 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

9 PAIGE: Yes.

10 VICE CHAIRPERSON COSTIGAN: So did they move to
11 terminate in 2011?

12 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

13 PAIGE: No. What they -- no, they did not.

14 VICE CHAIRPERSON COSTIGAN: Okay.

15 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

16 PAIGE: They recently contacted us and said they want to
17 move forward with termination. They filed it, changed
18 their mind, and then now they're considering they want to
19 seriously terminate their contract.

20 VICE CHAIRPERSON COSTIGAN: Are they current?

21 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

22 PAIGE: Yes, they are.

23 VICE CHAIRPERSON COSTIGAN: Okay. So I just --
24 again, it's the amount of infor -- I thought when you
25 provided the notice of termination, it actually set the

1 wheels in motion and you couldn't reverse it.

2 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

3 PAIGE: You know, they can file an intent to terminate --

4 VICE CHAIRPERSON COSTIGAN: Uh-huh.

5 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

6 PAIGE: But until they final -- they issue the final
7 termination, they haven't terminated. So the intent to
8 terminate is to notify us that they intend to terminate.
9 And then the notice -- and then a final resolution to
10 terminate, once that's completed, that's when the contract
11 is actually terminated.

12 VICE CHAIRPERSON COSTIGAN: So La Branza Water
13 District, Central Coast Computing, they've merely sent us
14 a notice that's intended to do that. We've set nothing in
15 motion. But the Herald Fire District, in fact, has moved
16 to terminate?

17 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

18 PAIGE: Correct.

19 VICE CHAIRPERSON COSTIGAN: Okay. We may just
20 want to clean it up a little bit.

21 Thank you, Madam Chair.

22 CHAIRPERSON TAYLOR: Okay. Thank you.

23 Mr. Jones, did you want to talk on this?

24 COMMITTEE MEMBER JONES: No, I'll wait until she
25 finishes first section.

1 CHAIRPERSON TAYLOR: Okay. Redo your microphone.
2 Go ahead.

3 Go ahead.

4 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF
5 PAIGE: I'm done with the termination report. Is this
6 where the question was? I'm sorry, I want to make sure
7 before I move on.

8 CHAIRPERSON TAYLOR: Oh, if you are done.

9 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

10 PAIGE: Yes.

11 COMMITTEE MEMBER JONES: Oh. Okay.

12 CHAIRPERSON TAYLOR: I need you to press your
13 button again.

14 Thank you.

15 COMMITTEE MEMBER JONES: Yeah. My question was
16 on the last frame, the legislative strategy.

17 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

18 PAIGE: Oh. Okay. Sure.

19 COMMITTEE MEMBER JONES: So the -- when we had
20 our I guess update our legislative report last month, we
21 were advised that we had set in motion the requirement for
22 new JPAs to have the financial liability included in their
23 contract. And so when I looked at this last page for
24 legislative strategy, I was wondering why the financial
25 liability wasn't listed here as one of our strategies from

1 a legislative point of view.

2 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

3 PAIGE: Okay. The -- this actual legislation is what
4 we're sponsoring is to shorten the timeframes for
5 voluntarily terminations to 90 days. And I think that the
6 prior slide, when we talked a little bit about Central
7 Sierra Planning Council, that's another reason why we
8 wanted to shorten the time frames, and not allow agencies
9 so long to -- who they could -- they have to wait a year
10 before they finalize their termination.

11 What this legislation does is shortens the time
12 frame and requires notification, which is a separate
13 legislation from the JPAs.

14 COMMITTEE MEMBER JONES: Okay.

15 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

16 PAIGE: Yeah, we're not --

17 COMMITTEE MEMBER JONES: So I --

18 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

19 PAIGE: Yeah, we're not sponsoring that.

20 CHAIRPERSON TAYLOR: That's being sponsored by
21 someone else.

22 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

23 PAIGE: Yeah, by someone else.

24 COMMITTEE MEMBER JONES: Oh, okay. Okay. And so
25 you mentioned that we have nine new JPAs. How many new

1 JPAs do we have --

2 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

3 PAIGE: Well, we have --

4 COMMITTEE MEMBER JONES: -- in the current year?

5 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

6 PAIGE: We had two new JPAs who requested to do a contract
7 with us, but they haven't moved forward with that.

8 COMMITTEE MEMBER JONES: So are there provisions
9 to require the financial liability back to the sponsoring
10 agency?

11 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

12 PAIGE: We do. We have been enforcing that with our new
13 contracting process. Yes, we have. Yes, sir.

14 COMMITTEE MEMBER JONES: Thank you.

15 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

16 PAIGE: You're welcome.

17 CHAIRPERSON TAYLOR: All right. Thank you. Hold
18 on one second.

19 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

20 PAIGE: Sure.

21 CHAIRPERSON TAYLOR: I have a request for someone
22 from the public to speak.

23 Mr. Gibbons from California Special Districts
24 Association on this item.

25 (Discussion off the record.)

1 CHAIRPERSON TAYLOR: Is it on this part, Dillon?

2 MR. GIBBONS: Well, yeah, it would -- it would
3 have been a few pages away, but it's a little bit to Henry
4 Jones.

5 CHAIRPERSON TAYLOR: So let me --

6 MR. GIBBONS: -- questions.

7 CHAIRPERSON TAYLOR: Okay. Then I'm going to let
8 you speak.

9 MR. GIBBONS: I may jump ahead and point to a
10 slide, 15, if that's -- if that's okay.

11 So Madam Chair, members of the Committee, Dillon
12 Gibbons, the California Special Districts Association.

13 I would like to thank the Board and this
14 Committee for working with local governments on the
15 legislation -- on the notification legislation, SB 1022.
16 We were able to remove our opposition by working with us
17 on the timelines to provide the information to our members
18 and the retirees.

19 But I would like to again here jump ahead to
20 slide 15, which was -- initially, when there was
21 discussion on legislation related to JPAs and assigning
22 that liability, it was that slide that this Board
23 primarily was looking at for their rationale behind doing
24 that.

25 As was mentioned with JPAs that are now

1 contracting with CalPERS, they're now including that
2 liability. We have no concerns with new JPAs forming and
3 having that assigned. We do have grave concerns with the
4 assigned retroactive liability. I would like to --
5 there's a lot of different concerns with that. And in a
6 minute and 43 seconds, I'm not going to have that time.

7 But I would like to have you -- if you took the
8 legislation that is going legislature right now that I
9 believe this Board is going to be considering taking a
10 position on next month, if you applied that to the L.A.
11 Works contracts, I don't believe you would see any
12 different outcome. What would happen is the -- CalPERS
13 would go to the member agencies and say, hey, you need to
14 take on proportional liability. They would look at it and
15 say why would we stake on \$19 million in liability over a
16 JPA that is entirely funded by grant funds?

17 So they'd say no. CalPERS would then tell the
18 JPA you need to amend your contract to assign that
19 liability. They say they can't. Then CalPERS would
20 say -- would be forced to close that contract, and under
21 this legislation would have no alternative other than to
22 cut the benefits of the retirees, then sue the member
23 agencies in order to recover the \$19 million.

24 Unfortunately, because there is no contract
25 between CalPERS and the member agencies, they would not be

1 able to recover those funds.

2 So in the end, there would be no different
3 outcome. However, if we applied this same legislation to
4 all the other JPAs, instead of JPA's retirees getting
5 their money, there would be more JPAs shutting down for
6 the same result.

7 So think about that while you're considering
8 supporting the legislation next month. And thank you very
9 much for you time, and again thank you for working with us
10 on this. I appreciate your time.

11 CHAIRPERSON TAYLOR: All right. So I want to
12 know before I move on to the rest of 8B, is this -- Mr.
13 Costigan, do you need to speak on this?

14 VICE CHAIRPERSON COSTIGAN: Not right now.

15 CHAIRPERSON TAYLOR: Mr. Jones.

16 COMMITTEE MEMBER JONES: Yeah. Thank you, Madam
17 Chair.

18 CHAIRPERSON TAYLOR: Wait, wait, wait. I didn't
19 click on it. There you go.

20 COMMITTEE MEMBER JONES: Okay. Thank you, Madam
21 Chair.

22 The legislation that I was referring to about the
23 JPA's financial -- the provisions that we were requesting,
24 did it include retroactivity implications?

25 CHAIRPERSON TAYLOR: Oh, here we go. Matt.

1 GENERAL COUNSEL JACOBS: Yes. Yes, it did. It
2 would apply retroactively.

3 COMMITTEE MEMBER JONES: Okay.

4 CHAIRPERSON TAYLOR: Okay. So maybe if we have
5 the presentation, it will help clarify.

6 COMMITTEE MEMBER JONES: Yeah.

7 CHAIRPERSON TAYLOR: Mr. Nguyen, I think is next.

8 --o0o--

9 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

10 PAIGE: Okay. We'll move on to the collections report.

11 Okay. Our collection report provides the activity for

12 December 1st through February 28th. We are actively

13 working with agencies to resolve the outstanding amounts

14 on this report. Most of these outstanding amounts are

15 operational issues, and they're solvable.

16 We want to -- I would like to move to the
17 termination cost payment. The delinquent -- delinquency
18 that we see here is regarding Herald Fire Partic -- excuse
19 me, Protection District. They owe \$404,000 for
20 termination costs that became due on January 20th. We met
21 with the district's representative, and the board
22 president to discuss the amounts owed. On April 18th,
23 their board will discuss a plan of action to settle
24 amounts owed to the system.

25 --o0o--

1 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

2 PAIGE: When we provided the Committee our overview of the
3 pension program, we informed the Committee that our next
4 step was to review our 1,366 contracts with schools. Andy
5 will provide information on our charter school population
6 and the contract process.

7 PENSION CONTRACT MANAGEMENT SERVICES DIVISION

8 ASSISTANT CHIEF NGUYEN: Good morning. Andy Nguyen.

9 Good morning, Andy Nguyen, CalPERS team member.

10 --o0o--

11 PENSION CONTRACT MANAGEMENT SERVICES DIVISION

12 ASSISTANT CHIEF NGUYEN: So currently when the charter
13 school elect to participate in the CalPERS defined benefit
14 pension plans, we will go through the eligibility process.
15 And if they are eligible, we would treat them just like
16 any public school and district, and they can enroll their
17 employees to CalPERS via the county of education's
18 contract.

19 --o0o--

20 PENSION CONTRACT MANAGEMENT SERVICES DIVISION

21 ASSISTANT CHIEF NGUYEN: To date, we have identified 422
22 charter schools in our system. And all of the charter
23 schools is a part of our school pool. They are receiving
24 the pension costs in the same manner as other public
25 school as a percentage of pay. And they all pay through

1 the county of educations.

2 --o0o--

3 PENSION CONTRACT MANAGEMENT SERVICES DIVISION

4 ASSISTANT CHIEF NGUYEN: This slide will show you a
5 summary of our contracting process for charter school. So
6 on January 23rd, 2015, the Internal Revenue Services and
7 Treasury Department issued a notice entitled relief for
8 certain participant in the government plans of 414(d).
9 It's also known as the charter school relief.

10 Since then, we have implemented a new contracting
11 process for charter school. And one of the process is we
12 require them to sign a certification letter to said if
13 when the IRS issued a final guideline for governmental
14 plan, if they're not compliant with CalPERS, they have to
15 certify that they will change the charter to be in
16 compliance.

17 --o0o--

18 PENSION CONTRACT MANAGEMENT SERVICES DIVISION

19 ASSISTANT CHIEF NGUYEN: So currently, if -- if the
20 charter school closed or stop reporting their employees to
21 CalPERS, all of their assets and liability remain in the
22 school pools. The current law doesn't have any provision
23 for terminations. At last -- just the last couple of
24 months, we received two requests from the charter school
25 representative to terminate from their contract with

1 CalPERS. And we have informed them that the current law
2 doesn't have any provision for them to terminate from the
3 school pool.

4 With that, I conclude my presentation.

5 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

6 PAIGE: Okay. Thank you. Any questions?

7 --o0o--

8 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

9 PAIGE: Okay. In terms of next steps, we will continue
10 to -- we will continue to monitor agencies with all
11 inactive members and pursue legislation strategy for the
12 voluntary terminations, and present our update in
13 September.

14 This concludes our presentation. Be happy to
15 answer any questions.

16 CHAIRPERSON TAYLOR: Okay. And we do have
17 questions from the Committee members, and one from a
18 non-Committee member.

19 Mr. Jones.

20 COMMITTEE MEMBER JONES: Yeah. Thank you, Madam
21 Chair again.

22 So what happened to the employees in the charter
23 school when you say they can't terminate? So they stop
24 sending money, so what happened to those members in the --

25 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

1 PAIGE: Those employees actually remain in the pool.

2 COMMITTEE MEMBER JONES: So who pays?

3 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

4 PAIGE: It's almost -- what happens is the charter school
5 stops reporting their payroll, but the employees that are
6 in the school pool do remain in the pool.

7 COMMITTEE MEMBER JONES: So are they accumulating
8 service credits?

9 PENSION CONTRACT MANAGEMENT SERVICES DIVISION

10 ASSISTANT CHIEF NGUYEN: No, they will stop accruing any
11 additional service, but they accrued service will remain
12 in the school pool.

13 COMMITTEE MEMBER JONES: At that point.

14 PENSION CONTRACT MANAGEMENT SERVICES DIVISION

15 ASSISTANT CHIEF NGUYEN: Yeah.

16 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

17 PAIGE: Right.

18 COMMITTEE MEMBER JONES: So are those employees
19 notified that they're not earning service credits when
20 they terminate like that?

21 PENSION CONTRACT MANAGEMENT SERVICES DIVISION

22 ASSISTANT CHIEF NGUYEN: Well, at this time, we're not
23 sure if the charter school has -- most likely, there isn't
24 any reporting to the employees, because it has closed.

25 COMMITTEE MEMBER JONES: Well, I would just

1 suggest then, just like the JPAs, we don't want to -- a
2 group of employees come and say I had no idea that I was
3 not earning credits. So I think, Madam Chair, there
4 should be some way to --

5 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

6 PAIGE: I think that -- you know, and I can request one of
7 my team members to come up that handles payroll. But I
8 believe when a -- the school puts an end date in the
9 employees service, I believe a notification is generated,
10 but I can request assistance.

11 COMMITTEE MEMBER JONES: Yeah, if you could
12 request that.

13 CHAIRPERSON TAYLOR: Yeah. And because what I
14 see as a problem here is the possibility of the charter
15 school pulling out because they don't want to pay into the
16 pension, but still operating. So these people --

17 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

18 PAIGE: Correct.

19 CHAIRPERSON TAYLOR: If that's the case, then
20 these people may not even know they no longer have a
21 pension. So I think it is incumbent upon us to at least
22 notify those employees.

23 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

24 PAIGE: I agree.

25 CHAIRPERSON TAYLOR: Hold on one second. And Ms.

1 Paquin.

2 ACTING COMMITTEE MEMBER PAQUIN: Thank you, Madam
3 Chair. I had a question on the charter schools as well
4 too. And of the two conversations you've had recently
5 where they wanted to voluntarily terminate, were these
6 individual schools or large charter school operators?

7 PENSION CONTRACT MANAGEMENT SERVICES DIVISION
8 ASSISTANT CHIEF NGUYEN: It's a large school operators in
9 the -- one of them is in San Diego County, and the other
10 one is across like four of five different counties.

11 ACTING COMMITTEE MEMBER PAQUIN: So are they
12 going to continue to report payroll and pay into the
13 system or have you left that conversation?

14 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF
15 PAIGE: They haven't socialized that to us. What happened
16 is these schools actually contacted us to request the
17 termination cost. And when we stated that there was no
18 provision in law to provide the termination cost, we
19 redirected them back to their CEO to -- so they didn't
20 socialize to us whether or not they were going to just
21 stop -- you know, stop reporting.

22 ACTING COMMITTEE MEMBER PAQUIN: Okay. And I'm
23 also curious if you've done any analysis to see if you are
24 still receiving requests from charter schools to join
25 CalPERS at the same rate as you were before, or have you

1 seen that they're starting to use other retirement
2 options?

3 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

4 PAIGE: Well, what I can say is that we have 14 charter
5 schools who want to enter the system right now, new
6 requests that we processed.

7 ACTING COMMITTEE MEMBER PAQUIN: Okay. All
8 right. Thank you.

9 CHAIRPERSON TAYLOR: Okay. Mr. Feckner.

10 COMMITTEE MEMBER FECKNER: Thank you, Madam
11 Chair.

12 Why wouldn't we seek legislation to make the
13 charter schools, whoever granted the charter, be the
14 holding property? So go back to the county office of ed,
15 et cetera, to make these employees whole?

16 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF

17 PAIGE: That's a good question. We did have a meeting
18 with the Department of Education. And we actually talked
19 the STRS to just to brainstorm about this issue. But I
20 think that's something internally discussions in
21 partnership with other stakeholders that we need to
22 discuss, because we're just -- we've seen this ourselves,
23 you know, as an issue through our review. But it's
24 something that we're having internal discussions about,
25 and that did come up, but we haven't moved forward with

1 it.

2 COMMITTEE MEMBER FECKNER: Well, I would
3 recommend that we do move forward and quickly, so that
4 this --

5 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF
6 PAIGE: Okay.

7 COMMITTEE MEMBER FECKNER: -- doesn't continue to
8 happen, just like what happened with East San Gabriel.

9 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF
10 PAIGE: I understand.

11 COMMITTEE MEMBER FECKNER: We want to make sure
12 we're protecting these members.

13 PENSION CONTRACT & PREFUNDING PROGRAMS CHIEF
14 PAIGE: Okay. Thank you.

15 CHAIRPERSON TAYLOR: And I just have a curiosity
16 question before I move on to another person, why do they
17 come -- why do charter schools come to us and not STRS?
18 Is there a reason that they -- they're classified
19 employees. Okay.

20 Go ahead, Matt.

21 GENERAL COUNSEL JACOBS: Thank you. I have a
22 suggestion which is to have my colleague Lisa --

23 SENIOR STAFF ATTORNEY: Hammond.

24 GENERAL COUNSEL JACOBS: Yeah, thank you.

25 I'm bad with last names. Sorry.

1 (Laughter.)

2 SENIOR STAFF ATTORNEY HAMMOND: Lisa Hammond --

3 GENERAL COUNSEL JACOBS: I freeze up.

4 SENIOR STAFF ATTORNEY HAMMOND: Lisa Hammond,
5 CalPERS team member.

6 I was hoping you could reframe the question. I
7 believe you're asking whether or not a charter school, if
8 they close, if the benefits are being reduced? And right
9 now, with the way the schools pool is designed, the
10 schools pool would bear the cost of the benefit.
11 Therefore, there would be no prediction. That's the -- if
12 there are any assets are remaining or any liabilities is
13 borne by the schools pool.

14 COMMITTEE MEMBER JONES: Okay. So --

15 CHAIRPERSON TAYLOR: Hold on, Henry.
16 Go ahead.

17 COMMITTEE MEMBER JONES: So the accrual of
18 benefits though, does that continue?

19 SENIOR STAFF ATTORNEY HAMMOND: If the schools
20 pool -- if the school has closed its doors or the school
21 is no longer participating, there be would no more
22 additional benefits creating going forward.

23 COMMITTEE MEMBER JONES: Okay. Okay.

24 SENIOR STAFF ATTORNEY HAMMOND: But the accrued
25 service would remain.

1 COMMITTEE MEMBER JONES: Yeah, yeah, that part I
2 understand.

3 Yeah, and that's the part I think we should
4 notify to be sure that the employee is aware that they're
5 not continuing to accrue benefits as a result of that
6 action.

7 CHAIRPERSON TAYLOR: And I think Mr. Feckner
8 wanted to add to that.

9 COMMITTEE MEMBER FECKNER: I do. I'm not -- my
10 concern is that following the process of the schools pool,
11 it shouldn't be all the other school districts
12 responsibility to pay for that chartering agency's
13 decision. So I think it should fall back on the
14 chartering agency and that county office of ed to make
15 whole, not the schools pool.

16 SENIOR STAFF ATTORNEY HAMMOND: So by design,
17 that's effectively kind of what is happening when a
18 charter school does close, the schools pool -- the
19 school -- the chartering authority and all the COEs in the
20 pool are paying for the rate. It's a --

21 CHAIRPERSON TAYLOR: So we have another person.

22 COMMITTEE MEMBER FECKNER: But why are we paying
23 for somebody else's rates?

24 CHAIRPERSON TAYLOR: Well, how did you go off. I
25 didn't --

1 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

2 OSTRANDER: Good morning. Renee Ostrander, CalPERS team
3 member.

4 CHAIRPERSON TAYLOR: And you went away again.

5 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

6 OSTRANDER: In reference to your question, Mr. Jones, the
7 members are made aware that they're no longer accruing
8 benefits, because what happens is the employer separates
9 them in our system. And so when an employer sets a member
10 in our system, we generate a letter to them. And we let
11 them know that they have options at separation. So if
12 they're not separated, it would certainly generate that
13 question by them why have I been separated by my employer?
14 So we do make them aware that they're not receiving
15 anymore benefits.

16 COMMITTEE MEMBER JONES: That's fine. And
17 because if they go and work for another school district,
18 then they would continue to earn their benefits anyway.
19 But it's those that don't continue to earn.

20 EMPLOYER ACCOUNT MANAGEMENT DIVISION CHIEF

21 OSTRANDER: Correct. So they are made aware by us that
22 they have been separated in our system.

23 CHAIRPERSON TAYLOR: Rob, do your --

24 COMMITTEE MEMBER FECKNER: (Shakes head.)

25 CHAIRPERSON TAYLOR: You're good.

1 Okay. Ms. Mathur.

2 PRESIDENT MATHUR: Well, I think this raises a
3 problem in our current structure with the pool where sort
4 of public schools are responsible for covering the cost of
5 charter schools that may fail or may leave our system.
6 And so -- and that -- that is -- that is a bigger policy
7 question. It's not really a CalPERS question in terms of
8 making sure that our members get their benefits paid for,
9 but it's really a bigger policy question as to whether
10 school districts should be -- you know, should have to pay
11 for charter schools that are no longer in business or for
12 the obligations for charter schools that are no longer in
13 business.

14 So anyway, I think that is like sort of core of
15 the issue here. I don't know if you want to answer that.

16 GENERAL COUNSEL JACOBS: And Board Mathur that is
17 the type of -- exactly the type of conversation we have
18 been having with stakeholders to make sure they're aware
19 of this issue, and hopefully take action to address it.

20 PRESIDENT MATHUR: My guess is that boards of
21 education who approve charters are not really fully aware
22 of the long-term implications of the charters that they
23 are allowing to move forward, and what --

24 GENERAL COUNSEL JACOBS: That would be my guess
25 as well.

1 PRESIDENT MATHUR: -- and the risks that they're
2 bearing. So there might be some communication effort that
3 we should participate in at the very least, if not
4 legislation that we might be willing to support to better
5 protect school districts.

6 GENERAL COUNSEL JACOBS: We're certainly engaged
7 in the communication effort.

8 CHAIRPERSON TAYLOR: All right. Seeing no
9 further questions from the Board.

10 Is there anything else?

11 All right. So we have hit our two hour mark, so
12 I'd like to call a break until 11:30 and we'll reconvene
13 at 11:30.

14 (Off record: 11:20 a.m.)

15 (Thereupon a recess was taken.)

16 (On record: 11:30 a.m.)

17 CHAIRPERSON TAYLOR: All right. I'm calling the
18 Committee back to order.

19 And we are going to move on to number 9,
20 actuarial reporting. And that's 9a, Long-Term Valuation
21 Report -- Long-Term Care Valuation Report.

22 (Thereupon an overhead presentation was
23 presented as follows.)

24 DEPUTY CHIEF ACTUARY ARCHULETA: Good morning,
25 Madam Chair, members of the Committee. My name is Fritzie

1 Archuleta. I'm part of CalPERS team. With me today
2 presenting the long-term care valuation is Senior Pension
3 Actuary Flora Hu.

4 SENIOR LIFE ACTUARY HU: Thank you, Fritzie.

5 Good morning, Madam Chair, members of the
6 Committee. Flora Hu, CalPERS team member.

7 Agenda Item 9c provides the 2017 Long-Term Care
8 Program Valuation Report. As of June 30th, 2017, the
9 funded status was 99 percent and the margin was negative
10 1.45 percent. Both the funded status and the margin were
11 lower than last year.

12 There are several items impacting the change in
13 results. I'd most like to identify two major changes
14 implemented in the 2017 valuation to the Committee.

15 The first major change was switching from a Claim
16 Cost Model to a First Principles Model to produce the 2017
17 valuation results. First Principles Model has many
18 advantages over the Claim Cost Model and is becoming the
19 industry standard for modeling long-term care insurance.

20 Slides 3 and 5 demonstrate modeling differences
21 between those two models.

22 --o0o--

23 SENIOR LIFE ACTUARY HU: The Claim Cost Model is
24 a relatively simple model compared to the First Principles
25 Model. As shown on slide 3, the Claim Cost Model only

1 tracks projected policy transitions for all active status
2 to lapsed or deceased status. The same mortality and the
3 lapsed assumptions are applied to all active lives,
4 including both healthy and the disabled lives.

5 The Claim Cost Model provides the basic
6 information at a high level.

7 --o0o--

8 SENIOR LIFE ACTUARY HU: The First Principles
9 Model, as shown on slide 4, models policies in greater
10 detail by checking transitions between healthy and the
11 disabled status, including claim recoveries. Separate
12 instance, claim termination, and utilization rates are
13 incorporated by the projection model to calculate the
14 projected claims.

15 Additionally, different sets for mortality
16 assumptions are applied to healthy lives and the disabled
17 lives. And lapsed rates are only applied to healthy
18 lives.

19 The result of using a much more detailed model
20 helps better understand the future variances in actual
21 versus projected values. The improved modeling and
22 refined assumptions increased the margin by 8.4 percent.

23 --o0o--

24 SENIOR LIFE ACTUARY HU: The second major change
25 for the 2017 valuation is the updated discount rate. The

1 discount rate was lowered from 5.75 percent to 5.25
2 percent in February 2018 by the Board.

3 The new discount rate reflects the current LTC
4 fund investment mix, as well as the current set of capital
5 market assumptions adopted in June 2017. As shown on the
6 lower ends of slide 5, the new discount rate lowers the
7 margin by more than 14 percent.

8 Two other items negatively impacted the program's
9 margin and funded status. The program's 1.56 percent
10 investment return during the 2016-17 fiscal year was lower
11 than the expected return of 5.75 percent. And a change to
12 the morbidity assumption increased the claim costs.

13 --o0o--

14 SENIOR LIFE ACTUARY HU: Slide 6 shows a
15 side-by-side comparison of 2017 and 2016 valuation
16 results. Lower future premiums and the higher benefit
17 payments between 2016 and 2017 are due to the maturation
18 of the program. As you can see from the comparison,
19 the -- as the program's variation asset at the end of 2017
20 fiscal year is only slightly than it was at the end of
21 2016 fiscal year, because of a lower-than-expected
22 investment return.

23 The program had a funded status of more than 100
24 percent, and the margin -- and a positive margin between
25 2013 and 2016. The 2017 results would have remained

1 positive. If the discount rate assumption was not
2 changed. 2017 is the first year with a negative margin
3 since 2013. We will continue to monitor the emerging
4 experiences of the program very closely, especially the
5 investment experiences.

6 --o0o--

7 SENIOR LIFE ACTUARY HU: And I'd like to
8 acknowledge the efforts of the UHAS actuary team led by
9 Clark Heitkamp. As is discussed in our report, this
10 year's valuation was very much a joint effort between
11 CalPERS and UHAS actuary staff.

12 That concludes my report, and I'm happy to answer
13 any questions.

14 CHAIRPERSON TAYLOR: Okay. I see no questions
15 from the Committee. And this is an information item, so
16 do I have any questions?

17 Okay. Then as I see no questions on 9a, I'm
18 going to move on to 10, Summary of Committee Direction.

19 Mr. Asubonten.

20 CHIEF FINANCIAL OFFICER ASUBONTEN: Madam Chair,
21 I have one main Committee direction. And I probably will
22 ask for a clarification on the second one. The main one
23 really is around the staff to bring back a review of the
24 Board member reimbursement.

25 CHAIRPERSON TAYLOR: Um-hmm.

1 CHIEF FINANCIAL OFFICER ASUBONTEN: This will
2 include reportable hours caps and the threshold. And then
3 in addition, we should also look into pursuing legislation
4 for Board members who are not reimbursed at this time.

5 CHAIRPERSON TAYLOR: That's correct.

6 CHIEF FINANCIAL OFFICER ASUBONTEN: Yeah. I'm
7 not sure that if we said anything about the charter
8 school, if there was a direction on that?

9 CHAIRPERSON TAYLOR: I'm sorry, say that again.

10 CHIEF FINANCIAL OFFICER ASUBONTEN: Charter
11 schools

12 CHAIRPERSON TAYLOR: Charter schools

13 CHIEF FINANCIAL OFFICER ASUBONTEN: Yes.

14 CHAIRPERSON TAYLOR: I'm not sure if we had a
15 direction on charter schools. I think we -- what I wrote
16 down was that we wanted to make sure that employees were
17 notified, but somebody came up and said that they were
18 being notified. So I think we're okay, right?

19 CHIEF FINANCIAL OFFICER ASUBONTEN: Right. So
20 then we only have that item on the Board reimbursement

21 CHAIRPERSON TAYLOR: Right. Okay. Oh, hold on.

22 COMMITTEE MEMBER JONES: One additional one.
23 That large dip between '15 and '16.

24 CHAIRPERSON TAYLOR: Oh, yes.

25 CHIEF FINANCIAL OFFICER ASUBONTEN: Yeah, that

1 was going to be my other item. I wrote that to be
2 something we will probably provide before this Board, is
3 that okay?

4 COMMITTEE MEMBER JONES: Oh, yeah. Okay.

5 CHIEF FINANCIAL OFFICER ASUBONTEN: And there was
6 one for Ms. Brown about full budget, which I think the
7 Chair said that everybody gets it. So well make sure --

8 CHAIRPERSON TAYLOR: Once it's finalized.

9 CHIEF FINANCIAL OFFICER ASUBONTEN: -- that she
10 has that too as well.

11 CHAIRPERSON TAYLOR: Yeah.

12 CHIEF FINANCIAL OFFICER ASUBONTEN: So I took
13 those to be miscellaneous items that I will personally
14 make sure that they are delivered.

15 COMMITTEE MEMBER JONES: Thank you.

16 CHAIRPERSON TAYLOR: All right. Thank you.
17 Anything else?

18 All right. Public comment. At this point,
19 anybody wants to speak?

20 Seeing none. I adjourn the Finance and
21 Administration Committee meeting.

22 COMMITTEE MEMBER FECKNER: 12:30.

23 CHAIRPERSON TAYLOR: 12:30. Okay. So the
24 Pension and Health Committee meeting will start at 12:30.

25 (Thereupon the California Public Employees'

1 Retirement System, Board of Administration,
2 Finance & Administration Committee meeting
3 adjourned at 11:39 a.m.)
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1 C E R T I F I C A T E O F R E P O R T E R

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

4 That I am a disinterested person herein; that the
5 foregoing California Public Employees' Retirement System,
6 Board of Administration, Finance & Administration
7 Committee meeting was reported in shorthand by me, James
8 F. Peters, a Certified Shorthand Reporter of the State of
9 California;

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

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

16 IN WITNESS WHEREOF, I have hereunto set my hand
17 this 23rd day of April, 2018.

18
19
20 

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