

ATTACHMENT L

MAY 16, 2018 TRANSCRIPT OF BOARD MEETING

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

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

WEDNESDAY, MAY 16, 2018
9:00 A.M.

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

A P P E A R A N C E S

BOARD MEMBERS:

Ms. Priya Mathur, President

Mr. Rob Feckner, Vice President

Ms. Margaret Brown

Mr. John Chiang, represented by Mr. Steve Juarez

Mr. Richard Costigan

Mr. Richard Gillihan

Mr. Henry Jones

Mr. David Miller

Mr. Ramon Rubalcava

Mr. Bill Slaton

Ms. Theresa Taylor

Ms. Betty Yee, represented by Ms. Lynn Paquin

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Ms. Liana Bailey-Crimmins, Chief Health Director

Mr. Ted Eliopoulos, Chief Investment Officer

Mr. Christian Farland, Chief Information Officer

Mr. Douglas Hoffner, Deputy Executive Officer

Mr. Matthew Jacobs, General Counsel

Ms. Donna Lum, Deputy Executive Officer

Mr. Brad Pacheco, Deputy Executive Officer

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. Kristin Garner, Board Secretary

ALSO PRESENT:

Mr. Tim Behrens, California State Retirees

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P R O C E E D I N G S

PRESIDENT MATHUR: Good morning, everyone. I'm going to convene the Board meeting. The first order of business is roll call.

BOARD SECRETARY GARNER: Priya Mathur?

PRESIDENT MATHUR: Good morning.

BOARD SECRETARY GARNER: Rob Feckner?

VICE PRESIDENT FECKNER: Good morning.

BOARD SECRETARY GARNER: Margaret Brown?

BOARD MEMBER BROWN: Good morning.

BOARD SECRETARY GARNER: Steve Juarez for John Chiang?

ACTING BOARD MEMBER JUAREZ: Here.

BOARD SECRETARY GARNER: Richard Costigan?

BOARD MEMBER COSTIGAN: Here.

BOARD SECRETARY GARNER: Richard Gillihan?

BOARD MEMBER GILLIHAN: Here.

BOARD SECRETARY GARNER: Dana Hollinger?

PRESIDENT MATHUR: Excused.

BOARD SECRETARY GARNER: Henry Jones?

BOARD MEMBER JONES: Here.

BOARD SECRETARY GARNER: David Miller?

BOARD MEMBER MILLER: Here.

BOARD SECRETARY GARNER: Ramon Rubalcava?

BOARD MEMBER RUBALCAVA: Here.

1 BOARD SECRETARY GARNER: Bill Slaton?

2 BOARD MEMBER SLATON: Here.

3 BOARD SECRETARY GARNER: Theresa Taylor?

4 BOARD MEMBER TAYLOR: Here.

5 BOARD SECRETARY GARNER: Lynn Paquin for Betty
6 Yee?

7 ACTING BOARD MEMBER PAQUIN: Here.

8 PRESIDENT MATHUR: Thank you.

9 So the next item is the Pledge of Allegiance.

10 And for that, I've asked Ms. Brown to lead us in the
11 pledge.

12 (Thereupon the Pledge of Allegiance was
13 recited in unison.)

14 PRESIDENT MATHUR: Well, good morning, everyone
15 and welcome. I have just a few comments to share for my
16 Board President's report. The July off-site meeting is
17 coming up in July. We're preparing for it. It's going to
18 take place in Concord. And it will take place July 16th
19 through the 18th. We will have a packed agenda ahead of
20 us and lots to accomplish over those two and a half days.

21 On the Monday, we'll focus on our investment
22 strategies, including a presentation on how changing
23 technology, such as artificial intelligence, is impacting
24 the business landscape, and how investors can adjust to
25 and find opportunities in these changes.

1 We'll spend the Tuesday looking at health,
2 including the changing landscape of high deductible health
3 plans, and the challenge of managing opioids. We'll also
4 spend some time examining our public agency regions, and
5 talking about mental health services and our role as a
6 purchaser.

7 And we'll conclude on the Wednesday with an
8 in-depth discussion about board governance. Speaking of
9 Board governance, I'm pleased to report that the Board
10 Governance Committee has decided on its approach to our
11 2018 self-evaluation, as set out in our Governance Policy.
12 We will be using the services of NACD, the National
13 Association of Corporate Directors, a leader in the field
14 of Board Governance.

15 CalPERS has been a member of NACD for many years.
16 NACD brings breadth and depth of expertise on Board
17 evaluations, which will help us develop the best approach
18 for a complex public agency like CalPERS. The
19 self-evaluation gives us an opportunity to reflect on what
20 we do well, and what we can do better. This is very
21 important work. We have learned over many years that
22 governance drives performance. This is true for -- as
23 true for us as it is for the companies in our portfolio.
24 We aspire to excellence because we know that transparency
25 and accountability underpin good governance.

1 In turn, that will help us serve our members
2 better, being efficient and effective in our use of
3 resources and decision making, and ensuring long-term
4 sustainability of our pension and health system.

5 I'm glad to say that we have Anne Simpson, our
6 resident governance expert, on temporary loan from the
7 Investment Office to work with us on this project. Anne
8 is recognized as a leader in the field, and we can draw on
9 her experience and insight.

10 In combination with a review of select Board
11 Governance Policy items and enhanced Board member training
12 over the next 12 to 18 months, I am hopeful that this
13 self-evaluation will lead to improved governance and
14 performance. For our members, that's what really counts.

15 And finally, turning to something fun, on Monday
16 night we held our annual CalPERS Night with the River Cats
17 at Raley Field. Although it was a bit chillier than many
18 of us would have liked, I want to applaud all of you who
19 braved the cold and made it out to enjoy time with their
20 fellow co-workers.

21 It was with a lot of pride that we watched our
22 own CalPERS Patriot Chorus deliver a beautiful medley of
23 songs to entertain the crowd before the game. We got
24 extremely positive feedback from the River Cats
25 organization. In fact, I'll just read a little bit from a

1 note that they sent. "The CalPERS Patriot chorus was
2 great tonight. A few of my season ticket members
3 mentioned how talented and in synch the group was in their
4 performance earlier this evening. California Dreaming was
5 my personal favorite. The fans really enjoyed the
6 performance. Thanks again".

7 So with that, we are very proud of our chorus and
8 I will turn it over now to Marcie Frost.

9 CHIEF EXECUTIVE OFFICER FROST: Thank you. Good
10 morning, President Mathur and members of the Board. Today
11 I'm going to highlight some of the important work that's
12 been before you this week, and give you an update on
13 outreach activities with stakeholder groups, and then
14 finish with some special recognition for our CalPERS team.

15 Yesterday, the Pension and Health Benefits
16 Committee was presented -- excuse me, presented with the
17 preliminary health rates or premiums for 2019. Although
18 they represent months of negotiations that we've been
19 having with the health plans, and it also represents I
20 think the work that we've been doing to hold down cost,
21 while still being able to provide high quality care
22 options for our members.

23 It's important to emphasize that these are
24 preliminary health premiums, and that we still have
25 another month of work negotiations with the plans before

1 we come back to you with the final rates in June.

2 What you saw yesterday includes new PPO program
3 offerings, including the new value-based design plan, as
4 well as such programs as Spine Zone and the Wisdom Study
5 for breast cancer detection. Both programs will help our
6 members take charge of their health in a more proactive
7 manner. And I'd like to thank the Committee for your
8 remarks and your direction to us and the health plans to
9 continue to sit at the table, sharpen the pencils, and
10 come back to us with the best rates possible in June.

11 We will take your feedback, and again take those
12 into the next round of talks with the health plans, and
13 bring back the final premiums for 2019 next month.

14 Moving on to the fiscal year budget. One of this
15 month's important action items is the approval of the
16 2018-19 fiscal year budget. And I want to emphasize again
17 that this budget represents our team's efforts to hold the
18 line on cost, and to manage our resources as efficiently
19 as possible. And as one example, we are not requesting to
20 add any new positions for the second year.

21 As additional personnel needs arise, we will
22 would rely instead on our enterprise pooling concept that
23 we put in place to determine where our resources are
24 needed most. And those decisions are being informed by
25 our new enterprise performance management system.

1 Also, through the implementation of the Lean
2 processes and Lean management, which we're adopting
3 throughout the organization, we are finding ways to be
4 more efficient and streamline our processes whenever
5 possible. And this is some work that we'll be able to
6 share with you in the July off-site. And I know the team
7 is really excited to give you some insight into that
8 program, and the results that we've been able to
9 accomplish so far.

10 Shifting focus now to engagement activities with
11 our stakeholders, I think one of the most important
12 aspects of this job is to get out and talk with the people
13 who have interest in what we're doing here at CalPERS.
14 And so I've been meeting with member groups, employer
15 groups, and a number of legislative representatives as
16 well.

17 I've been spending quite a bit of time at the
18 capital meeting regularly with legislators who again have
19 a strong interest in what we're doing here. I'm also
20 sharing the new report that we created, the solid
21 foundation for the future, and that has been very well
22 received.

23 And I've also heard some creative ideas from
24 legislators about other measures that we should be looking
25 at, and also have answered questions about the employee

1 and the employer cost. Obviously, that is one of the --
2 you know, the concerns that we hear represented from our
3 employer partners who come before this Board.

4 I think these are valuable conversations that go
5 a long way toward building not only important
6 relationships, but also trust. And I do plan to continue
7 them.

8 Tomorrow, I'll be speaking before the policy
9 committee of the California State Association of Counties.
10 And those members are visiting Sacramento for their annual
11 legislative day conference. Then the following week, I'll
12 have a chance to address the 200 members of the California
13 Special Districts Association. And they, too, will be in
14 Sacramento for their legislative day.

15 We have a number of additional speaking
16 engagements on the calendar throughout the summer, and
17 into the fall. And I look forward again to meeting with
18 more and more stakeholder groups and working to enhance
19 our partnership.

20 So now, onto some CalPERS-centric activities,
21 starting with the participation of CalPERS team members in
22 last month's March of Dimes for babies and the Susan G.
23 Komen Race for the Cure, which was held over the past --
24 excuse me, this past weekend. These are two very
25 important events for the employees here at CalPERS. They

1 are devoted to these charities, and spend a lot of their
2 personal time supporting them. They have a long tradition
3 here at CalPERS.

4 On another note, I'd like to talk about the
5 CalPERS -- excuse me -- APEX awards, which will be handed
6 out next week to this year's class of 29 recipients. The
7 a APEX award is our highest form of team member
8 recognition. It stands for Achieving Performance
9 Excellence. It honors our employees who go above and
10 beyond in their daily work, who live our core values, and
11 display a commitment to CalPERS overall success.

12 Recipients are nominated by their co-workers.
13 This is not a management award. This is a co-worker
14 award. And they have devoted an extensive amount of time
15 to preparing the nomination packages. Many of these
16 nomination packages are 10 to 20 pages long to illustrate
17 the importance of the work that these team members are
18 doing.

19 This year's class of APEX recipients are here
20 with us today in the auditorium. And I'd like to take a
21 moment now to celebrate their accomplishments and ask them
22 all to stand.

23 (Applause.)

24 CHIEF EXECUTIVE OFFICER FROST: So
25 congratulations. I think these are wonderful role models

1 for all of our team members here at CalPERS.

2 Moving on to investment performance year to date.
3 But before I do that, I'd like to emphasize that our
4 investment returns are the key to the success of this
5 organization in the long run. We know that the changes to
6 the discount rate and the amortization policy have
7 challenged our employers, and you have certainly been
8 hearing that from the employer groups as well.

9 As we work to increase our Investment returns and
10 take pressure off our employers, we're concentrating on
11 total return investing and investment performance always
12 being mindful of risk. This allows us to take full
13 advantage of the financial markets as we focus our efforts
14 on achieving our annual rate of return.

15 So the total fiscal year to date performance is
16 7.9. And these are numbers effective as of March 31st.
17 The rolling one-year return of the fund is 11.1. The
18 three-year return is 6.9. The five-year return is eight.
19 The 10-year return is 5.4. And the 20-year return is 6.2.

20 And then finally, I'd like to close by
21 highlighting public service recognition week, which took
22 place last week, but which we really do celebrate all year
23 long. Public service recognition week is a celebration of
24 civil servants that also helps connect citizens with their
25 government. Events were organized throughout the state

1 and supported by several of our sister agencies, including
2 CalHR, Government Operations and Health and Human
3 Services. We also took time to recognize our team members
4 here at CalPERS, and in our West Sacramento and regional
5 offices.

6 It's something that we've been recognizing with
7 videos featuring a variety of California's public servants
8 on our social media channels this year.

9 We call this effort We Serve California, and each
10 short video features a public servant telling the story of
11 why public service matters to them. To honor the
12 observance, we put together a compilation of these
13 stories -- excuse me -- which I'd like to show you now.

14 (Thereupon a video was played.)

15 (Applause.)

16 CHIEF EXECUTIVE OFFICER FROST: So I think this
17 is a good illustration of the passion we have here at
18 CalPERS about serving our members, and we know it is the
19 reason we exist.

20 So that concludes my remarks, and I would be
21 happy to take any questions.

22 PRESIDENT MATHUR: Thank you very much.

23 Mr. Juarez.

24 ACTING BOARD MEMBER JUAREZ: Yes. Thank you,
25 Chairwoman. Let me just mention an issue that was raised

1 at the CalSTRS meeting about the rates that Marcie -- the
2 rates of return that Marcie mentioned. The fact that next
3 year we're going to see a significant bump in the 10 year,
4 and most likely the 20 year. And I say that because
5 it's -- we just need to be careful relative to how we view
6 that. I think there will be a little giddiness associated
7 with the fact that the numbers will look much better.

8 But just as we don't take too much credit for
9 those types of things, and not -- certainly not for the
10 lower rates of return that we've seen due to that 2008
11 horrendous year, during the economic retrenchment, I
12 just -- I just want to mention to the Board that it's
13 probably worthwhile when we get those numbers to put them
14 in the proper context. And I know that the staff will be
15 careful to make sure we do that.

16 So thank you.

17 PRESIDENT MATHUR: Thank you.

18 Okay. That brings us to Agenda Item number 5,
19 which is the action consent items. What's the pleasure of
20 the Board?

21 BOARD MEMBER TAYLOR: Move approval.

22 VICE PRESIDENT FECKNER: Second.

23 PRESIDENT MATHUR: Moved by Taylor, seconded by
24 Feckner. I would just note that there is a revised travel
25 approval in your packet.

1 All those -- any requests to speak?

2 Seeing none.

3 All those in favor say aye?

4 (Ayes.)

5 PRESIDENT MATHUR: All opposed?

6 Motion passes.

7 That brings us to Agenda Item 6, which is the
8 consent items. I've had -- Oh, Mr. Jones.

9 BOARD MEMBER JONES: No, I'm just getting ready
10 for the next item.

11 (Laughter.)

12 PRESIDENT MATHUR: Oh, sorry. I've not requests
13 to pull any information consent items off. So that brings
14 us to Agenda Item number 7, which is the Committee
15 Reports.

16 7a, Investment Committee. I call on Mr. Jones,
17 the Chair of that Committee.

18 BOARD MEMBER JONES: Thank you, Madam President.
19 The Investment Committee met on May 14, 2018.

20 The Committee approved Agenda Item 5a, to approve
21 the recommended strategic asset allocation for the
22 following affiliate funds: The Legislators' Retirement
23 System Fund, Judges' Retirement System fund, Judges'
24 Retirement System II fund, and the California Employers'
25 Retiree Benefit Trust fund.

1 The Committee received a report on the first
2 reading of the revisions of the Total Fund Policy.

3 The Chair directed staff to do the following:

4 To provide the Committee with the impact on the
5 discount rate on contributions to the Legislators'
6 Retirement System;

7 In June, bring back information on the use of
8 prudent person opinions across the private asset classes
9 as part of the second reading of the Total Fund Policy
10 revision;

11 In June, bring back language to more clearly
12 explain board and staff responsibility for the ownership
13 of the Investment Beliefs and suggested frequency for
14 review in the second reading of the Total Fund Policy
15 revision.

16 The Committee heard public comments on the
17 following topics:

18 Risk tolerance and market growth; the funded
19 status, corporate governance, and divestment policies; and
20 the Investment Beliefs and the Public Employees'
21 Retirement Fund.

22 At this time, I would like to share some
23 highlights of what to expect at the June Investment
24 Committee meeting:

25 A review of the affiliate trust asset allocation

1 for the Long-Term Care and Health Care Funds; the second
2 reading of the revision of the Total Fund Policy; the
3 first reading of the revision of the Private Equity
4 Program Policy; and the CalPERS for California and
5 California Initiative.

6 The next meeting of the Investment Committee is
7 scheduled for June 18, 2018 in Sacramento, California.

8 And that concludes my report, Madam President.

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

11 Mr. Juarez.

12 ACTING BOARD MEMBER JUAREZ: Yes. Last month, I
13 mentioned that the -- about the Treasurer's intent to
14 bring forward a proposal that would increase the Board's
15 involvement in corporate board diversity issues. We hope
16 to have something prepared in advance of the June meeting
17 that we will send to staff and to the Chair of the
18 Investment Committee for consideration probably as part of
19 the total fund discussion, and hopefully give the staff
20 enough time to review it and comment on it at one of our
21 meetings, if not in June.

22 In addition, in light of a -- of the resolution
23 adopted by the CalSTRS Board on banned weapons
24 investments, it's the Treasurer's intent to hopefully
25 reengage the Board on that issue at some point in the near

1 future, and hopefully we can take that up in due course,
2 recognizing that we have a July off-site but maybe shortly
3 thereafter.

4 PRESIDENT MATHUR: Thank you very much, Mr.
5 Juarez.

6 Okay. That brings us to Agenda Item 7b, Pension
7 and Health Benefits Committee report. And for that, I'll
8 call on the Chair, Mr. Feckner.

9 VICE PRESIDENT FECKNER: Thank you, Madam
10 President. The Pension and Health Committee met on May
11 15th, 2018. The Committee recommends and I move the Board
12 approve the following:

13 Agenda Item 5, approve staff's recommendation to
14 discontinue the Castlight tool for all Preferred Provider
15 Organization basic health plans effective January 1, 2019.

16 PRESIDENT MATHUR: On motion by Committee.

17 Any discussion on the motion?

18 Seeing none.

19 All those in favor say aye?

20 (Ayes.)

21 PRESIDENT MATHUR: All opposed?

22 Motion passes.

23 VICE PRESIDENT FECKNER: Approve staff's
24 recommendation to approve the proposed specialist and
25 urgent care copay changes for PERS Choice and PERSCare PPO

1 basic health plans effective January 1, 2019.

2 PRESIDENT MATHUR: On motion by Committee.

3 Any discussion on the motion?

4 Seeing none.

5 All those in favor say aye?

6 (Ayes.)

7 PRESIDENT MATHUR: All opposed?

8 (No.)

9 PRESIDENT MATHUR: Please note Ms. Brown's no.

10 Motion passes.

11 VICE PRESIDENT FECKNER: The Committee received
12 reports on the following topics:

13 The Committee received information on the
14 preliminary rates submitted by health plans which will
15 continue to be analyzed for accuracy and affordability to
16 prepare for the final rate approval in June;

17 The Committee received information regarding
18 dialysis treatment costs and utilization by basic and
19 Medicare plans;

20 The Committee received public comment from Jerry
21 Fountain, California State Retirees regarding the CalPERS
22 investment responsibilities.

23 The Chair directed staff to:

24 Provide a survey or full analysis study on care
25 and costs related to CalPERS members receiving dialysis.

1 At this time, I would like to share some
2 highlights of what to expect at the June PHBC meeting.

3 The Committee will review the 2019 health plan
4 rates; reference pricing pharmaceuticals by therapeutic
5 class, and the PPO Reserve Policy;

6 The Committee will also receive information on
7 the State annuitant contribution formula and an update on
8 OptumRx. The next meeting of the PHBC is scheduled for
9 June 19th, 2019 in Sacramento, California. That ends my
10 report, Madam President.

11 PRESIDENT MATHUR: Thank you, Mr. Feckner.

12 The next item on the Agenda is 7c, Finance and
13 Administration Committee report. For that I'll call on
14 the Chair, Ms. Taylor.

15 BOARD MEMBER TAYLOR: Thank you, Madam President.

16 The Finance and Administration Committee met on
17 May 15th, 2018. The Committee recommends and I move the
18 Board approve the following:

19 Agenda Item 3b, approve the Treasury Management
20 Policy review.

21 PRESIDENT MATHUR: On motion by Committee.

22 Any discussion on the motion?

23 Seeing none.

24 All those in favor say aye?

25 (Ayes.)

1 PRESIDENT MATHUR: All opposed?

2 Motion passes.

3 BOARD MEMBER TAYLOR: Agenda Item 3c, approve the
4 Treasury Management Reserve Policy review.

5 PRESIDENT MATHUR: On motion by the Committee.

6 Any discussion on the motion?

7 Seeing none.

8 All those in favor say aye?

9 (Ayes.)

10 PRESIDENT MATHUR: All opposed?

11 Motion passes.

12 BOARD MEMBER TAYLOR: Agenda Item 5a, approval of
13 the fiscal year 2018-19 annual budget proposal, second
14 reading final in the amount of 1,680,636,000 and 2,875
15 positions and approve the transmittal of this agenda item.

16 PRESIDENT MATHUR: 2,875, yes?

17 BOARD MEMBER TAYLOR: Yes.

18 PRESIDENT MATHUR: Okay. On Motion by the
19 Committee. All in -- any discussion on the motion?

20 Seeing none.

21 All in favor say aye?

22 (Ayes.)

23 PRESIDENT MATHUR: Motion passes.

24 BOARD MEMBER TAYLOR: I move the Board approve
25 the following:

1 Agenda Item 6a, approve the adoption of the
2 transfer agreement of membership benefits to transfer
3 approximately \$4,276,500 of assets to SBCERA, which --

4 PRESIDENT MATHUR: San Bernardino County --

5 BOARD MEMBER TAYLOR: The San Bernardino --

6 PRESIDENT MATHUR: -- Employees Retirement.

7 BOARD MEMBER TAYLOR: -- Retirement Fund, yeah.

8 PRESIDENT MATHUR: On motion by Committee.

9 Any discussion on the motion?

10 Seeing none.

11 All those in favor say aye?

12 PRESIDENT MATHUR: All opposed?

13 Motion passes.

14 BOARD MEMBER TAYLOR: I move that the Board
15 approve the following:

16 Agenda Item 6b, approve an 18-month contract term
17 extension through December 31st, 2019 with Voya Financial,
18 LLC.

19 PRESIDENT MATHUR: On motion by Committee.

20 Any discussion on the motion?

21 Seeing none. All those in favor say aye?

22 (Ayes.)

23 PRESIDENT MATHUR: All opposed?

24 Motion passes.

25 BOARD MEMBER TAYLOR: I move the Board approve

1 the following:

2 Adopt a support, if amended, position on Senate
3 Bill 1413, which would authorize the California Public
4 Employees' Retirement System to implement and administer
5 the California Employers Pension Prefunding Trust program
6 in order to encourage public employers to pre-fund their
7 future pension contributions in an irrevocable Internal
8 Revenue Cord -- Code Section 115 Trust.

9 PRESIDENT MATHUR: On motion by Committee.

10 Any discussion on the motion?

11 Seeing none. All those in favor say aye?

12 (Ayes.)

13 PRESIDENT MATHUR: All oppose?

14 Motion passes.

15 BOARD MEMBER TAYLOR: And finally, I move the
16 Board approve the following:

17 Item 6e, approve the amended notice of election
18 for the 2018 CalPERS Board of Administration State,
19 school, and public agency member elections.

20 PRESIDENT MATHUR: On motion by Committee. We do
21 have some comments.

22 Ms. Brown.

23 BOARD MEMBER BROWN: Thank you. I wanted to
24 start by thanking the staff for responding to the
25 constituents and to the members of this Board who have

1 raised issues regarding the voting procedures and
2 processes, and I hope we will continue to work to improve
3 those processes so that voting is fair and transparent,
4 and I just hope we continue to work on that, Ms. Frost.

5 CHIEF EXECUTIVE OFFICER FROST: (Nods head.)

6 PRESIDENT MATHUR: Thank you.

7 Any further discussion the motion?

8 Seeing none.

9 All those in favor say aye?

10 (Ayes.)

11 PRESIDENT MATHUR: All opposed?

12 Motion passes.

13 BOARD MEMBER TAYLOR: Thank you.

14 The Committee received reports on the following
15 topics:

16 Assembly Bill 1912, the Public Employees's
17 Retirement Joint Powers Agreements Liability; annual
18 Stakeholder Perception Survey Report.

19 The Chair directed staff to continue working with
20 stakeholders on Assembly Bill 1912, and bring back an
21 action item in June with an update and recommended
22 position.

23 The Committee heard public comment on the
24 following topics:

25 The 2018-19 annual budget proposal; Assembly Bill

1 1912 Public Employees' Retirement Joint Powers Agreements
2 Liability; Senate Bill 1413 Public Employees' Retirement
3 Pension Prefunding; and the Annual Stakeholder Perceptions
4 Survey Report.

5 At this time, I would like to share some
6 highlights of what to expect at the September Finance and
7 Administration Committee meeting.

8 The next meeting of the Finance and
9 Administration Committee is scheduled for September 25th,
10 2018 in Sacramento, California.

11 Thank you. That's my report.

12 PRESIDENT MATHUR: Thank you.

13 So that brings us now to Agenda Item 7d,
14 Performance, Compensation and Talent Management Committee
15 Report. For that, I'll call on the Chair, Mr. Slaton.

16 BOARD MEMBER SLATON: Thank you, Madam President.

17 The Performance, Compensation and Talent
18 Management Committee met on May 15th, 2018.

19 On Agenda Item 5, pay philosophy discussion for
20 positions covered under the Board's policy for executive
21 and investment management positions, the Committee
22 recommends and I move the Board approve the following:

23 Affirm the Board Of Administration's Compensation
24 Policy purpose statement as amended by the Committee.

25 PRESIDENT MATHUR: On motion by Committee.

Any discussion on the motion?

Seeing none.

All those in favor say aye?

(Ayes.)

PRESIDENT MATHUR: All opposed?

Motion passes.

BOARD MEMBER SLATON: The Committee recommends
and I move the Board approve the following:

Modify the executive management comparator group
to include the British Columbia Investment Management
Corporation.

PRESIDENT MATHUR: On motion by Committee.

Any discussion on the motion?

Seeing none.

All those in favor say aye?

(Ayes.)

PRESIDENT MATHUR: All opposed?

Motion passes.

BOARD MEMBER SLATON: The Committee recommends
and I move the Board approve the following:

Modify the investment management comparator group
to include BCIMC, that's the British Columbia Investment
Management Corporation, University of California Office of
the Chief Investment Officer, and other university
endowments.

1 PRESIDENT MATHUR: On motion by Committee.

2 Any discussion on the motion?

3 Seeing none.

4 All those in favor say aye?

5 (Ayes.)

6 PRESIDENT MATHUR: All opposed?

7 (No.)

8 PRESIDENT MATHUR: Please note Ms. Brown's no.

9 Motion passes.

10 BOARD MEMBER SLATON: The Committee recommends
11 and I move the Board approve the following:

12 Adopt a comparator group percentile between the
13 25th and 75th percentile of the respective executive
14 investment comparator groups.

15 PRESIDENT MATHUR: I think it's a comparator
16 group range.

17 BOARD MEMBER SLATON: Comparator group range.

18 PRESIDENT MATHUR: Okay. On motion by Committee.

19 Any discussion on the motion?

20 Seeing none.

21 All those in favor say aye?

22 (Ayes.)

23 PRESIDENT MATHUR: All opposed?

24 (No.)

25 PRESIDENT MATHUR: Please note Ms. Brown's no.

1 Motion passes.

2 BOARD MEMBER SLATON: The Chair directed staff to
3 bring back options for fixed and variable compensation for
4 the chief executive position.

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

8 Recommendations on a revised salary range for the
9 Chief Executive Officer position; a discussion on pay
10 design for positions covered by the Executive Compensation
11 Policy, recommendations on fiscal year 2018-19 incentive
12 metrics.

13 The next meeting of the Performance, Compensation
14 and Talent Management Committee is scheduled for June
15 19th, 2018 in Sacramento, California. And that completes
16 my report.

17 PRESIDENT MATHUR: Thank you, Mr. Slaton.

18 Agenda Item 7f is the Board Governance Committee
19 report, and I will deliver that report.

20 The Board Governance Committee met on May 14th,
21 2018.

22 The Committee recommends and I move that the
23 Board approve the proposed revisions to the Board
24 Governance Policy regarding meeting procedures as
25 presented in the agenda item.

Any discussion on the motion?

Seeing none.

All those in favor say aye?

(Ayes.)

PRESIDENT MATHUR: All opposed?

(No.)

PRESIDENT MATHUR: Please note Ms. Brown's no.

The Committee further recommends and I move the Board approve on Agenda Time 3c, the proposed revision to the Board Governance Policy regarding the "Views expressed" disclaimer as presented in the agenda item with the addition of the word "necessarily" as discussed in Committee.

Any discussion on the motion?

Seeing none.

All those in favor say aye? All opposed?

(Ayes.)

PRESIDENT MATHUR: Sorry.

Any opposed?

Motion passes.

Agenda Item 5, the Committee Recommends and I move that we approve the proposed revisions to the CEO delegation resolution as presented in the agenda item.

Any discussion on the motion?

Mr. Feckner.

1 VICE PRESIDENT FECKNER: Yes. Not necessarily on
2 the content of the motion, but on the discussion we had
3 the other day, when I talked about the CIO -- the CEO
4 being the direct hiring and firing of the CIO. What I
5 really wanted to do is inculcate Mrs. Frost's plan as
6 we -- she has included Board members in all of the high
7 level positions she's had open to actually sit with her,
8 and be part of the process to Board members. And I would
9 like to find a way that we could inculcate this into the
10 plan moving forward, not necessarily part of this motion,
11 but make sure that we capture that, because I think it's a
12 very good opportunity for the Board to have involvement
13 and also to be able to support Ms. Frost moving forward.

14 PRESIDENT MATHUR: So I appreciate that. So
15 maybe we -- you and I as Chair -- as President and Vice
16 President can work with Ms. Frost around how to proceed in
17 terms of process.

18 VICE PRESIDENT FECKNER: Thank you.

19 PRESIDENT MATHUR: Thank you very much, Mr.
20 Feckner

21 Mr. Costigan.

22 BOARD MEMBER COSTIGAN: Yeah. Thank you, Madam
23 Chair -- or Madam President.

24 I just -- I agree with Mr. Feckner as it relates
25 to our involvement, but I just want to make sure it's

1 clear that the Board is not the hiring authority, only to
2 the extent that the CEO reports directly to the Board, so
3 that any engagement by the Board doesn't actually puts us
4 in the shoes of the hiring authority, which would be Ms.
5 Frost. And I think that needs to be extremely clear any
6 time the Board engages on any high level hiring.

7 PRESIDENT MATHUR: Yes.

8 BOARD MEMBER COSTIGAN: And as it let relates, I
9 support the CIO reporting to the CEO, because as a civil
10 servant, that's exactly how the structure is supposed to
11 be. The CIO does not report to the Board.

12 Thank you.

13 PRESIDENT MATHUR: Thank you, Mr. Costigan.

14 We'll make sure that's reflected in the process.

15 There's a motion before the Committee. Any
16 further discussion on the motion?

17 Seeing none.

18 All those in favor say aye?

19 (Ayes.)

20 PRESIDENT MATHUR: All opposed?

21 (No.)

22 PRESIDENT MATHUR: Please note Ms. Brown's no.

23 Motion passes.

24 The Chair directed staff to:

25 Bring back a draft policy for handling harassment

1 allegations against Board members based on the UC regents
2 policy. Also, research and bring back information
3 regarding UC's experience with its current policy. In
4 addition, clarify the rationale for a two-person panel as
5 opposed to a three-person panel.

6 The Chair also directed staff to investigate the
7 use of field offices as locations for out-of-area Board
8 members to review closed session transcripts and other
9 confidential materials, and to look into other possible
10 solutions as well.

11 The Chair further directed staff to bring back an
12 amended option A in regards to the process for handling
13 mail directed to Board members that includes the provision
14 of simultaneous alerts notifying Board members of what
15 pieces of correspondence were received and responded to
16 and by whom. Also, bring back citations supporting the
17 legality of the current Board practice of having staff
18 open mail addressed to board members.

19 Finally, the Chair also directed staff to pursue
20 the utilization of the NACD premium option to conduct this
21 year's Board performance evaluation and report back
22 progress on negotiations.

23 The Committee heard public comment on several
24 topics, including the Board Governance Policy regarding
25 meeting procedures, revisions to the Board Governance

1 Policy regarding the "Views Expressed" disclaimer, the
2 annual review of the CEO delegation resolution, the
3 process for reviewing closed session and other
4 confidential materials.

5 At the August Board Governance Committee meeting,
6 we will look at the schedule for the 2019-2020 Board
7 meetings, as well as bring back some of these other items.

8 The next meeting of the Board Governance
9 Committee is tentatively scheduled for August 14th, 2018
10 in Sacramento, California.

11 So that brings us to Agenda Item -- oh, I'm
12 sorry, Matt.

13 GENERAL COUNSEL JACOBS: No, I appreciate that,
14 President Mathur and Board members. I wanted -- before
15 you get into 8, I wanted to mention that we, that is the
16 Board Services Unit's fax machine received a late
17 respondent's argument on Item 80, that is, Jane Francis.
18 Received it at 9:30 last evening. It was emailed this --
19 just a few minutes ago to Mr. Shah. I don't think he's
20 even read it or may not even know that it exists.

21 And we have copies that are ready to distribute
22 to the Board members, but I wanted to give you some
23 options here, and Mr. Shah can weigh in as well.

24 First of all, you can just ignore it, because
25 it's late. Second of all, you can pause the proceedings

1 and read through it, and see if it affects your decision,
2 or third, luckily, we could delay it to June 20th, because
3 we still have enough time to do that.

4 So with that, I just wanted to present those
5 options to you, given the lateness. The member did call
6 yesterday morning requesting an opportunity to file her
7 paper late. We asked her to get it in by close of
8 business yesterday. That she did not do. But in any
9 event, it's come in.

10 PRESIDENT MATHUR: Thank you. I would suggest,
11 and looking for concurrence from the rest of the Board,
12 that we just defer it to June.

13 Okay. So that is the direction then.

14 So with that on Agenda Item 8, the proposed
15 decisions of Administrative Law Judges, what is the
16 pleasure of the Committee?

17 Mr. Feckner.

18 VICE PRESIDENT FECKNER: Thank you, Madam
19 President. I have a number of motions here.

20 The first one would be to schedule Agenda Item 8a
21 for a full Board hearing.

22 PRESIDENT MATHUR: So a motion by Mr. Feckner.
23 Is there a second to the motion?

24 BOARD MEMBER BROWN: Second.

25 PRESIDENT MATHUR: Seconded by Ms. Brown.

1 Discussion on the motion.

2 Mr. Gillihan.

3 BOARD MEMBER GILLIHAN: Thank you, Madam
4 President. Just for the record I'll abstaining from
5 voting on this item.

6 PRESIDENT MATHUR: Okay. Thank you very much.

7 Any further discussion on the motion?

8 Seeing none.

9 All those in favor say aye?

10 (Ayes.)

11 PRESIDENT MATHUR: All opposed?

12 And please note Mr. Gillihan's abstention.

13 VICE PRESIDENT FECKNER: Number two. I move that
14 the Board adopt the proposed decisions at Agenda Items 8b
15 through 8m, and 8p through 8s as the Board's own decisions
16 with minor modifications to Agenda Items 8c, 8g, 8j, 8l,
17 8p, and 8r as argued by staff.

18 PRESIDENT MATHUR: On motion by Mr. Feckner.

19 Is there a second to the motion?

20 BOARD MEMBER JONES: Second.

21 PRESIDENT MATHUR: Seconded by Mr. Jones.

22 Any discussion on the motion?

23 Seeing none.

24 All those in favor say aye?

25 (Ayes.)

1 PRESIDENT MATHUR: All opposed?

2 Motion passes.

3 VICE PRESIDENT FECKNER: And finally, I move to
4 remand -- the Board remand Agenda Item 8n for the taking
5 of additional evidence in light of the current language of
6 subsection (a) of section 21252 of the Public Employees
7 Retirement Law.

8 PRESIDENT MATHUR: Motion by Mr. Feckner.

9 Is there a second to the motion?

10 BOARD MEMBER MILLER: Second.

11 PRESIDENT MATHUR: Seconded by Mr. Miller.

12 Any discussion on the motion?

13 Seeing none.

14 All those in favor say aye?

15 (Ayes.)

16 PRESIDENT MATHUR: All opposed?

17 Motion passes.

18 Okay. That brings us now Agenda item number 9,
19 petitions for reconsideration. For that, I'll call on the
20 Vice President, Mr. Feckner?

21 VICE PRESIDENT FECKNER: Thank you, Madam
22 President. I move the Board deny the petitions of
23 reconsideration at Agenda Items 8 -- 9a through 9e.

24 PRESIDENT MATHUR: On motion by Mr. Feckner. Is
25 there a second to the motion?

1 BOARD MEMBER JONES: Second.

2 PRESIDENT MATHUR: Seconded by Mr. Jones.

3 Any discussion on the motion?

4 Seeing none.

5 All those in favor say aye?

6 (Ayes.)

7 PRESIDENT MATHUR: All opposed?

8 Motion passes. Thank you very much, Mr. Feckner.

9 That brings us now to Agenda Item number 10, the
10 full Board hearing final decision. For that again I'll
11 call on the Vice President, Mr. Feckner.

12 VICE PRESIDENT FECKNER: I move to adopt the full
13 Board decision and appeal of Denise Patten as presented by
14 staff as the Board's final decision.

15 BOARD MEMBER MILLER: Second that.

16 PRESIDENT MATHUR: Motion made by Mr. Feckner and
17 seconded by Mr. Miller.

18 Any discussion on the motion?

19 Seeing none.

20 All those in favor say aye?

21 (Ayes.)

22 PRESIDENT MATHUR: Oh, I'm sorry. Mr. Jones.

23 BOARD MEMBER JONES: Yeah, I just wanted to note
24 that I would be abstaining, because I did not participate
25 in that discussion.

1 PRESIDENT MATHUR: Okay. Thank you very much.
2 So please note Mr. Jones' abstention.
3 Mr. Costigan.

4 BOARD MEMBER COSTIGAN: Just a quick process
5 question. I'm going to support the motion, but that's
6 just supporting the issuance of the resolution, because I
7 was on the other side of the vote on the underlying
8 action. We don't have to vote the same that way that we
9 voted.

10 PRESIDENT MATHUR: Okay.

11 BOARD MEMBER COSTIGAN: Is that correct?

12 PRESIDENT MATHUR: I don't -- I don't think you
13 have to vote the same way that you voted on the decision.

14 BOARD MEMBER COSTIGAN: I just want to make sure
15 this is just push -- putting out the order.

16 GENERAL COUNSEL JACOBS: Right.

17 BOARD MEMBER COSTIGAN: Okay. Thank you.

18 PRESIDENT MATHUR: Thank you very much, Mr.
19 Costigan.

20 Motion passes.

21 That brings us to Agenda Item number 11, State
22 and federal legislation update.

23 Mr. Pacheco.

24 DEPUTY EXECUTIVE OFFICER PACHECO: Good morning,
25 Madam President and members of the Board. Brad Pacheco,

1 CalPERS team. I wanted to provide you a quick update on
2 legislative activity, in addition to the bills that we
3 already talked about yesterday. So I'll start with the
4 Board sponsored bills.

5 Senate Bill 1022, which shortens a contracting
6 agency's voluntary termination time frame, and also
7 requires notification to employees of a agency's intent to
8 terminate has passed out of the Senate, and is currently
9 awaiting assignment in the Assembly.

10 Assembly Bill 2415, which would provide salary
11 setting authority for this Board over a Chief Health
12 Director and a Chief Operating Officer is in the Assembly
13 Appropriations suspense file, and is expected to be taken
14 up later this month.

15 And our housekeeping bill, Assembly Bill 3245,
16 did pass out of the Assembly, but it's currently being
17 held by the Senate Rules Committee, given that so many of
18 the provisions that this Board approved last year were
19 removed due to opposition from various parties. So the
20 team is working with some stakeholders and the consultants
21 to see if we can get some provisions added back in. And
22 we have until next May 23rd next week to do that.

23 And then finally, Assembly Bill 2196, this
24 discontinues service credit purchase installment payments
25 into retirement. It was passed out of the Assembly and is

1 in the Senate waiting to be referred to a Policy
2 committee. I did want to raise one amendment that has --
3 we've been approached with and seek the direction from the
4 Board.

5 So when this legislative concept was brought to
6 the Board last December, the proposed effective date to
7 end service credit installment payments was January 1st,
8 2019. And we've been approached by representatives of our
9 school members to change that date for school employees to
10 January 1st, 2020, so one year out, so they have time to
11 communicate with their -- their membership. If the Board
12 is interested in providing direction to accommodate that
13 amendment, we would recommend that the date be changed for
14 all members, including State and public agency members.
15 It just provides additional complexity if we're
16 communicating a different date to a -- just to one set of
17 members.

18 And just to clarify, this would be a date change
19 for those members that elect to purchase new service
20 credit. If they're already purchasing service credit and
21 have installment payments or they do so before 2020, they
22 will have the option to continue those installment
23 payments or elect for the reduced benefit. So this would
24 just be for new service credit purchases after January
25 1st, 2020.

1 So I'll just stop there and ask the desire of the
2 Board on that.

3 PRESIDENT MATHUR: Thank you.

4 Mr. Feckner.

5 VICE PRESIDENT FECKNER: Thank you, Madam
6 President, and thank you, Mr. Pacheco. And I strongly
7 support moving the date to January of 20 -- 19 -- 2020,
8 please.

9 PRESIDENT MATHUR: So is that a motion?

10 VICE PRESIDENT FECKNER: That is a motion.

11 BOARD MEMBER COSTIGAN: Second.

12 PRESIDENT MATHUR: Motion by Mr. Feckner,
13 seconded by Mr. Costigan.

14 Any discussion on the motion?

15 Seeing none.

16 All those in favor say aye?

17 (Ayes.)

18 PRESIDENT MATHUR: All opposed?

19 Motion passes. So that is the direction.

20 DEPUTY EXECUTIVE OFFICER PACHECO: Okay. Thank
21 you. We'll work with the bill's author to make that
22 amendment.

23 So in addition to our sponsored legislation, I
24 just wanted to call out a few other pieces of legislation
25 that we're monitoring. As you know, Senate Bill 459 was

1 introduced last week by Senator Portantino and sponsored
2 by the State Treasurer's Office that requires a process
3 for engagement and proxy voting with retailers and
4 wholesalers of banned assault weapons. If those efforts
5 prove unsuccessful, it calls for both CalPERS and CalSTRS
6 to adopt a divestment action no later than July 1st, 2021.

7 And also it was noted yesterday there's a Senate
8 resolution, Senate Resolution 24 that's very similar to
9 this that deals with firearms and divestment. And the
10 team is conducting an analysis on both of those. And
11 we've asked our investment team to also do an impact
12 analysis on the portfolio.

13 And then as I mentioned last month, Assembly Bill
14 3087 would establish the California Health Care Cost
15 Quality and Equity Commission. It's being heard in the
16 Assembly Appropriations Committee this morning. We're
17 almost complete with our analysis. We do have some
18 significant concerns around this Commission and the
19 authority that it would take from this Board around health
20 rates.

21 We are meeting with the co-sponsors tomorrow to
22 discuss our concerns and get some questions answered. And
23 then lastly on the federal side, we continue to monitor
24 activity on Senate Bill 2155, the Economic Growth
25 Regulatory Relief and Consumer Protection Act. It's going

1 to a final vote next week, May 22nd. We're finalizing a
2 letter to express some of our concerns for measures that
3 we want to make sure that do not get included in the final
4 bill.

5 And that concludes my presentation. Happy to
6 answer any questions.

7 PRESIDENT MATHUR: Thank you very much.

8 Any questions from the Board?

9 Seeing none.

10 Thanks very much for your report.

11 That brings us to Agenda Item 12, Summary of
12 Board Direction.

13 CHIEF EXECUTIVE OFFICER FROST: I noted one that
14 is to work with the President and the Vice President to
15 document the practice of including two members of the
16 Board in selection processes of key positions. And this
17 would be done as Board expectations of its CEO.

18 PRESIDENT MATHUR: Thank you very much.

19 DEPUTY EXECUTIVE OFFICER PACHECO: Madam Chair?

20 PRESIDENT MATHUR: Yes, please.

21 DEPUTY EXECUTIVE OFFICER PACHECO: I'm sorry, I
22 forget to mention one thing.

23 PRESIDENT MATHUR: Yes, please.

24 DEPUTY EXECUTIVE OFFICER PACHECO: Yesterday, we
25 got direction to bring back -- to work with the

1 stakeholders on AB 1912, and bring that back to the
2 Finance and Administration Committee meeting. And Ms.
3 Timberlake and I realized we don't have a June Finance and
4 Administration Committee meeting, so we'll be bringing
5 that back to the full Board.

6 PRESIDENT MATHUR: Perfect. That sounds like a
7 good resolution.

8 Thank you.

9 Okay. That brings us to Agenda Item number 13,
10 which is public comment. I have one request to speak.
11 Mr. Behrens. If you could come up and take your seat here
12 to the left. The mics are on. You will have three
13 minutes with which to speak. Please identify yourself and
14 affiliation for the record.

15 MR. BEHRENS: As soon as I get my chair out.

16 PRESIDENT MATHUR: Not that we don't know who you
17 are.

18 (Laughter.)

19 MR. BEHRENS: Madam Chair, thank you. Members of
20 the Board, I just wanted to restate something I said
21 yesterday at the Health Benefits Committee, and that is
22 the importance of the full Board looking at the proposed
23 changes in costs for health care - we have at least four
24 that have gone up - and the proposed changes for the
25 deductibles. On many of those health cares that have gone

1 up from 25 to 35.

2 Especially impacted by that will be our members
3 in rural areas. We have 18 different areas where it's
4 already hard to get health care. And the increased cost
5 will push people into a less costly health care plan,
6 which will give them less coverage for their health care
7 benefits.

8 So I just wanted to reiterate the importance of
9 all of you looking at those plans. Follow Mr. Feckner's
10 recommendation to sharpen your pencil, and push that onto
11 the staff.

12 Thank you for letting me speak.

13 PRESIDENT MATHUR: Thank you very much --

14 MR. BEHRENS: Have a good day.

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

17 Mr. Feckner.

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

20 I just want to reiterate the President's comments
21 earlier about the River Cats game the other night, what a
22 great event that was. But to also state that we, for the
23 first time, fell short of our minimum number of tickets
24 purchased. So we have 54 tickets left that they allowed
25 us to holdover for a future date. So we're looking at

1 August 22nd. It would be a Wednesday. And not only do we
2 have those 54 tickets, but they also told us if we sell an
3 extra 46, get to a hundred, that they'll give us the first
4 pitch for that game.

5 So if anybody is interested in throwing out the
6 first pitch, by your tickets when the link comes out in
7 the next few weeks.

8 PRESIDENT MATHUR: Thank you, Mr. Feckner.

9 Okay. That brings us to the end of the public
10 session agenda. And so we are adjourned.

11 (Thereupon the California Public Employees'
12 Retirement System, Board of Administration
13 open session meeting adjourned at 9:48 a.m.)
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C E R T I F I C A T E O F R E P O R T E R

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand
this 22nd day of May, 2018.



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