

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, SEPTEMBER 26, 2018

9:00 A.M.

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

A P P E A R A N C E S

BOARD MEMBERS:

Ms. Priya Mathur, President

Mr. Rob Feckner, Vice President

Ms. Margaret Brown

Mr. John Chiang, represented by Mr. Matthew Saha

Mr. Richard Costigan

Ms. Dana Hollinger

Ms. Adria Jenkins-Jones

Mr. Henry Jones

Mr. David Miller

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:

Mr. Marlene Timberlake D'Adamo, Inter Chief Financial Officer

Ms. Cara Buchanan, Board Secretary

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

Ms. Kim Malm. Chief, Operations Support Services Division

ALSO PRESENT:

Mr. Dan Crowley, K&L Gates

Mr. Neal Johnson, Service Employees International Union, Local 1000

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

2 PRESIDENT MATHUR: Good morning, everyone. I'm
3 going to call the open session of the Board meeting to
4 order. First order of business is roll call.

5 BOARD SECRETARY BUCHANAN: Good morning.

6 Priya Mathur?

7 PRESIDENT MATHUR: Good morning.

8 BOARD SECRETARY BUCHANAN: Rob Feckner?

9 VICE PRESIDENT FECKNER: Good morning.

10 BOARD SECRETARY BUCHANAN: Margaret Brown?

11 BOARD MEMBER BROWN: Good morning.

12 BOARD SECRETARY BUCHANAN: Matthew Saha for John
13 Chiang?

14 ACTING BOARD MEMBER SAHA: Good morning.

15 BOARD SECRETARY BUCHANAN: Richard Costigan?

16 BOARD MEMBER COSTIGAN: Here.

17 BOARD SECRETARY BUCHANAN: Dana Hollinger?

18 BOARD MEMBER HOLLINGER: Here.

19 BOARD SECRETARY BUCHANAN: Adria Jenkins-Jones?

20 BOARD MEMBER JENKINS-JONES: Here.

21 BOARD SECRETARY BUCHANAN: Henry Jones?

22 BOARD MEMBER JONES: Here.

23 BOARD SECRETARY BUCHANAN: David Miller?

24 BOARD MEMBER MILLER: Here.

25 BOARD SECRETARY BUCHANAN: Ramon Rubalcava

1 PRESIDENT MATHUR: Excused.

2 BOARD SECRETARY BUCHANAN: Bill Slaton?

3 BOARD MEMBER SLATON: Here.

4 BOARD SECRETARY BUCHANAN: Theresa Taylor?

5 BOARD MEMBER TAYLOR: Here.

6 BOARD SECRETARY BUCHANAN: And Lynn Paquin for
7 Betty Yee?

8 ACTING BOARD MEMBER PAQUIN: Here.

9 PRESIDENT MATHUR: Thank you.

10 The next order of business is the approval of the
11 September 26th, 2018 Board of Administration timed agenda.

12 BOARD MEMBER JONES: Move it.

13 BOARD MEMBER TAYLOR: Second.

14 PRESIDENT MATHUR: Moved by Mr. Jones, seconded
15 by Ms. Taylor.

16 Any discussion on the motion?

17 Seeing none.

18 All those in favor say aye?

19 (Ayes.)

20 PRESIDENT MATHUR: Motion passes.

21 For the pledge of allegiance, Agenda Item number
22 3, I'm going to call on Mr. Jones.

23 BOARD MEMBER JONES: Ready. Begin.

24 (Thereupon the Pledge of Allegiance was
25 recited in unison.)

1 PRESIDENT MATHUR: So now to my President's
2 report.

3 Good morning, everyone.

4 First, I would like to welcome to the Board Adria
5 Jenkins-Jones who's the Acting Director of the California
6 Department of Human Resources. Ms. Jenkins-Jones has 27
7 years in State government, including several positions at
8 the Department of Finance. And I know she'll be a
9 terrific addition to this Board.

10 And now, I'd really like to recognize an
11 individual who has provided important contributions to
12 this Board and to CalPERS as a whole for the last four
13 years, that's Richard Gillihan.

14 Richard served on our Board as an ex officio
15 member and Director of the California Department of Human
16 Resources since 2014. During his tenure, he served on the
17 Finance and Administration Committee, the Investment
18 Committee, the Pension and Health Benefits Committee, and
19 the Performance, Compensation and Talent Management
20 Committee.

21 He always encouraged thoughtful dialogue and
22 debate, and welcomed the views of our members and employer
23 stakeholders. His insights and leadership contributed to
24 the soundness and integrity of the system, and ultimately
25 enhanced the financial security of CalPERS members.

1 All the while, he maintained an enthusiastic
2 dedication to auto racing, including regular attendance at
3 the annual Chili Bowl Nationals In Tulsa, Oklahoma.

4 Richard, will you please join me on stage.

5 So as is our custom, the CalPERS Board would like
6 to present to you with this resolution in appreciation of
7 your many contributions and outstanding service to the
8 system. We wish you all the best in your new position at
9 the Department of Finance. And I think I mentioned a few
10 of the things already in my opening statement, so I'm not
11 going to go ahead and read that resolution.

12 But we are going to take a brief break for
13 refreshments to recognize Richard's contributions. I
14 don't know you have anything you'd like to say before we
15 do that.

16 MR. GILLIHAN: Sure. Why not.

17 (Laughter.)

18 MR. GILLIHAN: I don't know who's going to regret
19 this more, me or you guys.

20 No, I'm just kidding.

21 (Laughter.)

22 MR. GILLIHAN: It's truly been an honor to be on
23 this Board. It was almost four and half years. I showed
24 up on short notice, much like Adria did. So that seems to
25 be the pattern of CalHR Directors is you get tapped, and

1 then there's like a Board meeting the week or two
2 afterwards, so -- but it's been a privilege and an honor
3 to serve the members of this system, to serve on this
4 Board with you all. I know the important work you have to
5 do and the decisions ahead of you, but I know you'll make
6 those decisions with the best interests of your members at
7 heart, and also the employers that have to pay the bill
8 too.

9 (Laughter.)

10 MR. GILLIHAN: So good luck in the future and
11 thank you. I appreciate it.

12 PRESIDENT MATHUR: Thank you so much, Richard.

13 (Applause.)

14 PRESIDENT MATHUR: You didn't bring your glasses
15 so you can't read the small text.

16 MR. GILLIHAN: I can see my name.

17 (Laughter.)

18 PRESIDENT MATHUR: It is about you. It's all
19 positive.

20 So we're going to now take a break for about 15,
21 20 minutes. We'll come back at let's say 9:20.

22 (Off record: 9:04 a.m.)

23 (Thereupon a recess was taken.)

24 (On record: 9:20 a.m.)

25 PRESIDENT MATHUR: Okay. I'm going to call the

1 Board meeting back to order. The next order of business
2 is the Chief Executive's Report.

3 Ms. Frost.

4 CHIEF EXECUTIVE OFFICER FROST: Thank you. Good
5 morning, President Mathur and members of the Board.

6 I'll start this morning's report by also
7 expressing appreciation for Richard Gillihan, and for his
8 years of service to the members and to this Board.

9 Richard has been a source of insight and advice
10 for me as well as for many other members in this
11 organization. And we want to thank him for his
12 contributions to helping make this fund stronger.

13 As you know, next week will be my two year
14 anniversary at CalPERS. And so I thought I'd take a
15 moment to talk about some of the issues we've faced in the
16 past couple of years, and to highlight some of our most
17 important accomplishments.

18 I knew walking in that there would be some
19 challenges. I did a little bit of homework. And some
20 really did come faster than what we had expected, but we
21 were ready. With this Board's help, along with the
22 talented team that we have throughout CalPERS, we have
23 tasked those challenges head on, and we're in a better
24 place today because of it.

25 We've worked to strengthen the fund by focusing

1 on managing risks and taking the necessary steps to get
2 use on a solid foundation for the future. Just after I
3 arrived, it quickly became apparent that our seven and a
4 half percent discount rate needed to be lowered. Working
5 with this Board, along with labor, our employers, and our
6 stakeholders, many stakeholders, we were able to lower the
7 discount rate from 7.5 down to 7 over a three-year period
8 of time.

9 Soon after that, the Governor saw that we were
10 very serious about addressing our 64 percent funded
11 status, at that time, so he included an additional \$6
12 billion payment toward the State's liabilities in his
13 budget.

14 The discount rate reduction, the market returns,
15 and the Governor's payment, and the legislature's support
16 of that payment helped to make us cash flow positive.

17 The next thing we did was work on our asset
18 allocation mix through much of last year. We followed
19 that up with a decision by the Board earlier this year to
20 reduce the amortization from 30 years to 20 years. In all
21 of these cases, we were working to be as transparent as we
22 possibly could, talking with all of our stakeholders and
23 the legislature as well about where we were headed and
24 why.

25 We do know that some of these decisions have

1 impacted our employers, and we've been striving to give
2 them all the information and the tools that they need to
3 make the best decisions possible.

4 One of these tools was just signed by the
5 Governor last week, the 115 Trust, that came before this
6 Board for support. And this program will be administered
7 by CalPERS.

8 With all of these steps that we've taken, as well
9 as our investment returns over the last two years of 11.4
10 and 8.6, our funded status is now at 71 percent. And that
11 71 percent is based on a seven percent discount rate. But
12 we do still have much work ahead of us, because the one
13 question I continue to hear, and I think I've heard from
14 many of you as you're out interacting with members, is
15 will our benefits be here? Are they safe?

16 And I always tell them yes, and I know you do as
17 well, that we've been here for 86 years, and we'll
18 continue to be here for them when they choose to retire.

19 We published the solid foundation for the future
20 report to help members and stakeholders understand these
21 decisions, and to show them we're on the right path.
22 We've taken that report on the road and we've also
23 provided that report to you, as well as a PowerPoint deck,
24 so that you can meet with other stakeholders, the members,
25 representatives of people who are very interested in what

1 CalPERS does.

2 For employers, we know their concern is
3 affordability. We heard that from them just as loudly as
4 we hear from the members about whether their benefit is
5 safe. So we've been working steadily to help them
6 understand the costs of the benefits, and to plan their
7 budgets accordingly, that this information is really
8 important to them as they're looking at their single year
9 and five year budget planning.

10 For example, earlier this year, we hosted a
11 webinar on managing the cost of unfounded -- unfunded
12 actuarial liabilities, and we kind of laugh at this a
13 little bit, but it was one of the most highly watched
14 webinars we've ever produced. And I think that gives you
15 an indication of where the employers concerns lie.

16 We've also taken steps to do our part to run the
17 system as efficiently as we possibly can. We've reduced
18 our operational cost by 1.5 to 2 percent, and we'll
19 continue to do so over the next three years.

20 We're also managing 70 percent of our investment
21 funds in-house, which has saved about 170 million. And we
22 just announced a new CIO who joins a very strong team in
23 the Investment Office.

24 Instead of adding new positions, we've created
25 what we call an enterprise pooling system that redirects

1 resources where they are needed most. So we look at
2 vacancies as they occur, and we determine where that
3 vacancy needs to be deployed. In addition, we're
4 incorporating lean processes throughout the organization
5 to streamline how we go about our work.

6 Some of these enhancements include improved call
7 response time in the contact center, and reductions in the
8 time it takes us to process retirement applications.

9 Another important internal process we've
10 developed is the Enterprise Performance Reporting System
11 that's managed by a cross-division team throughout
12 CalPERS. And you'll get your update -- your quarterly
13 update today.

14 It does put our funded status and strategic goals
15 squarely at the center of our focus, and we work
16 consistently to meet the goals and objectives of the plan.
17 And we report again to you each quarter on our progress.

18 We have accomplished quite a bit in the last two
19 years, but there's certainly more work to be done. Moving
20 forward, we do know that there are challenges ahead.

21 Now, let's turn to some executive news. Late
22 last month, we announced that Michael Cohen is our new
23 Chief Financial Officer. Michael is very well respected
24 within State government having served our State for over
25 20 years, most recently as the Director of Department of

1 Finance, managing the State's a multi-billion dollar
2 budget.

3 I'd also like to take a moment to thank Marlene
4 Timberlake D'Adamo for the outstanding work that she has
5 done in her role as Interim CFO. Marlene has been wearing
6 two hats. And this is the second time she had to wear
7 this second hat, one to guide the Financial team and then
8 the other, of course, to lead the Compliance team. AND
9 she's done so with integrity and grace. And if we
10 could -- if I could have you please join me in thanking
11 Marlene for her dedication to CalPERS.

12 (Applause.)

13 CHIEF EXECUTIVE OFFICER FROST: On Monday, we
14 also announced Ben Meng as our new Chief Investment
15 Officer. Ben is well versed in CalPERS systems, having
16 spent seven years on our investment team from 2008 to
17 2015, first as a part of the Fixed Income team and then as
18 Chief Investment Director of Asset Allocation.

19 Most recently, he's been overseeing the State
20 Administration of Foreign Exchange in China. Ben again is
21 ver well versed in asset liability management, and that
22 is, of course, a pivotal process to achieving our goals.
23 And we are very happy and pleased to welcome him back to
24 CalPERS.

25 Next, I'd like to introduce Michele Nix audience

1 as well. Michele Nix is our new Controller. And Michele
2 joins us -- I think she started mid-September, and so
3 she's working her way through all the acclamation that
4 needs to happen at CalPERS, but I'd like to have Michele
5 stand as well.

6 (Laughter.)

7 (Applause.)

8 PRESIDENT MATHUR: Welcome.

9 CHIEF EXECUTIVE OFFICER FROST: Thank you,
10 Michele.

11 In Monday's Investment Committee, you heard a
12 detailed report on proxy season efforts. In anticipation
13 of the report that was given to the Board, we shared these
14 accomplishments with several media outlets who did follow
15 up to conduct interviews with much of the team. As a
16 result, the news coverage provide a picture of the efforts
17 we've made with the companies we invest in over the last
18 year, including our position on board diversity, board
19 quality, and executive compensation.

20 One point we continue to emphasize is that the
21 bottom line of our proxy season initiatives is always to
22 drive investment returns for long-term sustainability and
23 understanding the risks that our investing in those
24 companies provide or raise.

25 I'd also like to mention -- moving on to health,

1 I'd also like to mention open enrollment this month, since
2 we're in the midst of it. Members have until October 5th
3 to select their health plans for 2019. One of the new
4 resources available is the mobile experience. You got to
5 see a demo of that yesterday. And judging by the volume
6 of completed transactions thus far, which are up compared
7 to this time last year, these new resources are being well
8 utilized.

9 I do want to encourage all of our members covered
10 by the health plans to carefully read through this year's
11 materials, so they can make the best choices for
12 themselves as well as for their family members.

13 Health plan statements and all open enrollment
14 information is available in the members my|CalPERS
15 accounts now. And remember that the new premium rates and
16 plan changes would take effect on January 1 of 2019.

17 Another newly developed resource I want to
18 highlight is the digital version of our PERSpective
19 newsletter, if we can get a screen shot of that.

20 The new online edition it complements the paper
21 edition that we already provide. And it allows members to
22 access the newsletter anytime using -- anytime, anywhere
23 really, using a tablet, a mobile phone, or a desktop
24 computer. It includes all of the information from the
25 latest print edition, but also provides members access to

1 additional news published in our two previous issues this
2 year.

3 A beta version of the PERSpective was launched
4 earlier this month, and we're inviting members to give us
5 feedback. Based on the experiences they share, we'll make
6 ongoing improvements to enhance our delivery of relevant
7 news and information to the membership.

8 The last resource to mention is the completion of
9 the public agency valuation reports that are now also
10 available on our website. In addition to the State and
11 school valuations that were published last month, the
12 actuarial team has completed nearly 4,000 of these reports
13 overall. This represents a significant effort for the
14 team each year.

15 Now, that these are completed all of our
16 employers will have online access to their annual
17 valuation reports to help plan their budgets for the
18 upcoming year. I'd like to thank you Scott Terando and our
19 Actuarial Office to all their hard work in completing the
20 reports on time again this year. And I also want to
21 remind our employers that our actuaries are happy to help
22 you. They can help explain the reports and provide any
23 assistance that you may need.

24 Moving on now to visits with stakeholders and
25 pension partners around the country for this last month.

1 Earlier this month, I had the opportunity to address
2 delegates of the Retired Public Employees Association
3 during their biennial generally assembly in Southern
4 California. There were about 200 members in attendance,
5 who were glad to hear about the work we've been doing to
6 strengthen the fund. I'd like to also extend a
7 congratulations to Al Darby, who has been elected as the
8 new RPEA president.

9 That was followed by a visit to the Council of
10 State Governments West Annual Meeting. I was pleased to
11 be invited by California Assemblyman Ken Cooley, who is
12 from the Sacramento area. I was asked to speak on a panel
13 about innovative data driven strategies to help sustain
14 public pension funds. My fellow panelist was an
15 individual named Greg Mennis who works for Pew Charitable
16 Trusts.

17 In addition to talking about the decisions we've
18 made to strengthen the fund over the last few years, I
19 also highlighted our risk management practices, including
20 our asset liability management process and our enterprise
21 performance reporting system.

22 And then a few days later, I addressed attendees
23 of the National Conference on Public Employee Retirement
24 Systems, NCPERS. There were about 150 in attendance, all
25 focused on the same thing, and that was public pension

1 funding, and the challenges facing public pension systems.
2 I was pleased to be a part of that conference and to
3 interact with other pension leaders, including Dana Dillon
4 who is at our sister system across the river who moderated
5 the panel.

6 And now, I'd like to switch gears quickly to
7 focus on a number of internal efforts we're working on
8 ultimately to improve service to our membership. The
9 first is our employee engagement survey, which we'll be
10 sending out for the second time in early October. The
11 first survey we did was in 2017, which received a 70
12 percent participation rate, and it helped to establish our
13 baseline measures and highlight really what we needed to
14 focus on.

15 We'll continue to survey our team members
16 annually to give them -- give every employee a voice in
17 the organization and how the organization is run, and to
18 make sure that we're collecting that data on a regular
19 basis, so that we can act appropriately. The survey again
20 will be administered by an outside third party, McLean and
21 Company.

22 Let me also remind you about our 19th annual
23 Education Forum taking place next month. So mark the
24 date, October 22nd through the 24th in Indian Wells. We
25 are expecting a record turnout. We have more than 900

1 confirmed registrations already. This is a great
2 opportunity for us to interact with employers at all
3 levels, help to build really important relationships, and
4 to ensure that they return home with the solutions that
5 they came for.

6 And then finally, we held our annual all-team
7 even called CalPERS Live earlier this month. Each year we
8 take time to highlight accomplishments in the
9 organization, and talk about our priorities going forward.
10 The theme this year was Serving California Together. And
11 each presentation highlighted the fact that we are one
12 team at CalPERS, engaged in the mission, and working
13 together to serve our members.

14 We also highlighted some of the stories of the
15 members we serve. And I'd really like to share one of
16 those with you today. It is the story of Marvin Hatchett,
17 who's a school security guard at Woodrow Wilson Middle
18 School in Pasadena. If we could roll that video.

19 (Thereupon a video was played.)

20 CHIEF EXECUTIVE OFFICER FROST: This was one of
21 the vignettes of a video that we had shown to our
22 employees just reminding everyone the reason this
23 organization exists.

24 We also like to end our all-employee event on a
25 high note with our annual music video, which I'll -- also,

1 I would like to share with you now. It does give you a
2 flavor of the wonderful and talented people we have
3 working here or who choose to work here at CalPERS.

4 So if we could roll that video as well.

5 (Thereupon a video was played.)

6 CHIEF EXECUTIVE OFFICER FROST: Thank you.

7 So I'd like to now close with investment
8 performance year-to-date. The preliminary -- and these
9 numbers are of -- as of July 31st. The preliminary
10 one-year return is 8.3. The three-year return is 7.1.
11 The five-year return is 7.7. The ten-year return is 5.9,
12 and the 20-year return is 6.1.

13 And President Mathur, that concludes my remarks.

14 PRESIDENT MATHUR: Thank you. Well, thank you
15 for sharing those videos with us. Really beautiful,
16 particularly the one of Marvin Hatchett from Pasadena,
17 what a remarkable story. And it just is a testament to
18 our members at how much they give to their communities,
19 both professionally but then also personally. It's really
20 something.

21 And I would like to just briefly share a story
22 that I heard the other day from a member down in Santa
23 Clara County who was sharing with me that a fellow
24 colleague was sadly very ill and in the ICU. And a
25 CalPERS member -- staff person went to their bedside in

1 the ICU to help them fill out their final paperwork and
2 beneficiary information, designations, et cetera. And
3 that just shows the commitment that our -- that our team
4 has here for our members. And truly, we do all serve
5 California together. And for that I am terribly proud.

6 Okay. On that note, I will move -- we will now
7 move to Agenda Item number 6, action consent items. We're
8 going to take up of 6b separately. So, first, I will call
9 on Mr. Feckner.

10 VICE PRESIDENT FECKNER: Than you.

11 I'll move approval of Item 6a and 6c, please.

12 BOARD MEMBER COSTIGAN: Second.

13 PRESIDENT MATHUR: Motion made by Feckner,
14 seconded by Costigan.

15 Any discussion on the motion?

16 Seeing none.

17 All those in favor say aye?

18 (Ayes.)

19 PRESIDENT MATHUR: All opposed?

20 Motion passes.

21 And now for 6b, I'm actually going to turn it
22 over to the Vice President, Mr. Feckner.

23 VICE PRESIDENT FECKNER: Thank you, Madam Chair.

24 You know this item the President, in all due
25 conscience, sent this one to me, because it involved

1 travel to Washington for looking at the vote count for the
2 upcoming election. And being a candidate she did not want
3 to weigh in on the -- on that topic, so she handed it to
4 me. I could have just said no, because personally I don't
5 think this is proper travel for trust fund money. Any
6 Board member certainly is -- has the opportunity and right
7 to go and witness the vote count, but you would be doing
8 so on your own dime, not on the PERF fund. So that was my
9 personal opinion.

10 But on thinking even longer, I thought if I don't
11 make a decision, I'll bring it to the Board, in case I'm
12 just seeing this wrong, or seeing it differently than
13 others and let the Board have a discussion about whether
14 or not they thought this was worth approving or not, and
15 let the Board make that decision.

16 So I'll open it up now for the Board to have a
17 discussion.

18 Mr. Slaton.

19 BOARD MEMBER SLATON: Thank you. Thank you, Mr.
20 Feckner. And I agree with you that this is a delegated
21 process. Elections, of course, are critical. They're
22 very important to make sure that everyone who votes has a
23 vote, in order to have their representation on this Board.

24 That being said, what we try to do in that
25 process is take the politics out of it, and it's a staff

1 function to do this, which I think is very appropriate.
2 And I agree with you that if any Board member wishes to,
3 on their own dime, to go down and -- or go up to the State
4 of Washington, to observe the process, they're certainly
5 entitled to do that. But I don't think it's appropriate
6 for resources of CalPERS to be used for that.

7 Thank you.

8 VICE PRESIDENT FECKNER: Thank you.

9 Ms. Brown.

10 BOARD MEMBER BROWN: Yes. Can we confirm what
11 staff is going to be up there to make sure that the new
12 regulations that are being implemented are going to be
13 followed fro the entire time?

14 VICE PRESIDENT FECKNER: Sure. Ms. Frost.

15 CHIEF EXECUTIVE OFFICER FROST: Yes. Mr.
16 Hoffner, could you come to the table.

17 DEPUTY EXECUTIVE OFFICER HOFFNER: Good morning.
18 Doug Hoffner, CalPERS team member.

19 So we'll have staff from the Elections Office as
20 well as the auditing function there through the election
21 process, both in Washington and in San Diego as well --

22 VICE PRESIDENT FECKNER: Thank you.

23 DEPUTY EXECUTIVE OFFICER HOFFNER: -- per the
24 notice of election.

25 VICE PRESIDENT FECKNER: I think Ms. Malm wants

1 to weigh in as well.

2 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

3 Ms. Brown, the -- sorry, Kim Malm, CalPERS team
4 member. The notice of election states that we start on
5 Tuesday morning the 2nd at 9:00 a.m. And so that's when
6 staff will be there for the ballot -- paper ballot
7 scanning and opening. And then after that's completed --
8 we don't know how long that's going to take. But after
9 that's completed, then we'll be going to La Jolla for the
10 tabulation.

11 BOARD MEMBER BROWN: Thank you.

12 PRESIDENT MATHUR: Thank you.

13 Mr. Miller.

14 VICE PRESIDENT FECKNER: Mr. Miller.

15 PRESIDENT MATHUR: Oh, I'm sorry.

16 BOARD MEMBER MILLER: I think my view is that
17 I'm -- I have a great deal of confidence in our
18 professional staff. I think that if we, as a Board, felt
19 that the Board needed to have a presence in terms of
20 oversight there, then we should think about designating a
21 Board member to go.

22 I would think that any Board member or any
23 candidate who wanted to go on their own dime, and
24 particularly Board members who have an -- have taken a
25 position endorsing in this or actively campaigning for

1 anyone wouldn't be the right person to go, if the Board
2 was going to officially want to have a presence there. I
3 personally don't see the need for the Board to have a
4 presence. I have total confidence in our staff to oversee
5 that process, and in the candidates to exercise their
6 opportunity to go if they wanted to be there in person or
7 any member that wanted to go on their own dime to make
8 sure that they had confidence in it as well.

9 VICE PRESIDENT FECKNER: Thank you.

10 Ms. Brown again.

11 BOARD MEMBER BROWN: Yes. I just wanted to be
12 sure that the public knows that last year as a candidate,
13 I flew up with my own funds to -- to the counting place
14 and to IVS. And I was appalled at what I saw. And there
15 was no security, no process, and no CalPERS staff there.

16 And so I had grave concerns about what was going
17 on with the vote counting, because it was not being done
18 in public the entire time for the entire 30 days. So as a
19 Board member now, I'm very concerned about the count being
20 true and correct, and that they're following the
21 procedure, because we clearly were, in my opinion,
22 violating the Constitution at the last election, and
23 that's why I wanted to go.

24 If staff is going to be there and do that, that's
25 fine, but I still would like to go as a Board

1 representative that's not -- that's not running for any
2 office this time around.

3 Thank you.

4 VICE PRESIDENT FECKNER: Mr. Jones.

5 BOARD MEMBER JONES: Yeah. Thank you, Mr. Vice
6 President. Yeah, I think, you know, many times we
7 approach these kind of issues where we've delegated to
8 staff the responsibility to carry out a function, and then
9 we tend to try to ease back in and try to usurp some of
10 that delegated authority. And my view is that if you find
11 that a delegated authority issue surfaced, then I think
12 the first step is to bring that attention to staff, and
13 let staff have an opportunity to correct it, if it's a
14 problem.

15 And -- but I don't think we should have a
16 delegated authority process, and then make decisions
17 about, you know, interfering with that process on a
18 case-by-case basis.

19 VICE PRESIDENT FECKNER: Thank you.

20 Ms. Taylor.

21 BOARD MEMBER TAYLOR: Thank you, Mr. Vice
22 President.

23 I just want to say I think that it's fully
24 appropriate for candidates to use their candidate funds to
25 go and observe this. And I would expect the candidates,

1 if they want to do that, to do that. Board members who
2 have endorsed candidates are -- shouldn't -- it's not an
3 appropriate use, if a Board member has endorsed a
4 candidate, to use CalPERS funds to go watch the process.

5 But certainly if that Board member wants to go on
6 their own, that is absolutely, you know, something they
7 should be able to do. But it is in my view that if a
8 Board member has endorsed a candidate, that it's a misuse
9 of the funds of CalPERS, if they go to observe.

10 VICE PRESIDENT FECKNER: Thank you.

11 Seeing no other requests, I'll leave it open up
12 if a Board member wishes to make a motion to allow this to
13 happen, we can do that. If not, it dies for lack of a
14 motion.

15 Mr. Slaton.

16 BOARD MEMBER SLATON: So you're saying if we have
17 no motion, it dies for lack of a motion.

18 VICE PRESIDENT FECKNER: At this point -- well,
19 we have -- we're going to have to make a motion on --
20 because there's more than one travel. There's Mr. Chiang,
21 Ms. Brown, and Ms. Hollinger.

22 BOARD MEMBER SLATON: I thought we approved the
23 other two.

24 VICE PRESIDENT FECKNER: Pardon?

25 BOARD MEMBER SLATON: We didn't?

1 VICE PRESIDENT FECKNER: We have not approved any
2 of them yet.

3 BOARD MEMBER SLATON: Okay. So I move that we
4 approve 6a and 6c.

5 VICE PRESIDENT FECKNER: No, no.

6 BOARD MEMBER SLATON: Excuse me, I'm sorry.

7 VICE PRESIDENT FECKNER: It's Item 6b.

8 BOARD MEMBER SLATON: Yeah, John -- the
9 Treasurer's travel and Ms. Hollinger's travel.

10 BOARD MEMBER COSTIGAN: Second.

11 VICE PRESIDENT FECKNER: All right. There's a
12 motion on the board made by Slaton, seconded by Costigan
13 to approve Mr. Chiang's travel to attend Value Edge
14 Advisors' Forum, and Ms. Hollinger to attend the ICGN
15 Network Meeting.

16 Seeing no discussion on the motion.

17 All in favor say aye?

18 (Ayes.)

19 PRESIDENT MATHUR: Opposed, no?

20 (No.)

21 VICE PRESIDENT FECKNER: Motion carries.

22 Seeing no other requests, I turn the gavel back
23 over to the President.

24 PRESIDENT MATHUR: Thank you very much, Mr.
25 Feckner.

1 Okay. That brings us to Agenda Item number 7,
2 the information consent items. I've had no requests to
3 pull anything off of consent.

4 So that brings us to Agenda Item number 8, the
5 Committee Reports. And first, I will call on the Chair of
6 the Investment Committee, Mr. Jones.

7 BOARD MEMBER JONES: Thank you, Madam President.

8 The Investment Committee met on September the
9 24th, 2018.

10 The Committee approved Agenda Item 6a to adopt
11 the findings of the California Public Divest from Iran Act
12 and Sudan Act to eliminate the identified companies that
13 do not meet the criteria for consideration.

14 The Committee received reports on the following:
15 Topics, Supplemental Income Strategic Asset Allocation
16 Implementation update; the Real Assets and Global Fixed
17 Income Annual Program reviews and consultant reports; the
18 first reading of the review of the Investment Policy
19 updates; the CalPERS consultants Public Fund Universe
20 Comparison Reports; and the Corporate Governance update:
21 Proxy voting, shareowner campaigns, and corporate
22 engagement.

23 The Chair directed staff as follows:

24 Evaluate the comments provided by Board members
25 regarding the activities of ENGIE and Dubai Islamic Bank

1 in relation to the requirements of the California Sudan
2 Act; evaluate the 2019 Committee annual calendar to
3 determine if divestment related agenda items can be
4 consolidated; incorporate IC feedback from first reading
5 of the Real Assets Program Policy and return to the IC
6 with updated draft for second reading in November; ensure
7 that Wilshire reflects CalPERS size in the universe
8 comparison report.

9 The following specifics are on the Corporate
10 Governance report:

11 Staff to analyze the 2018 proxy season outcomes
12 and bring additional statistics on voting outcomes;
13 details of on how CalPERS voted regarding Apple and
14 BlackRock; bring back additional information on the
15 objectives of the federal government in creating the EEO-1
16 reporting framework; provide an update on the SEC's review
17 of proxy advisory firms independence; provide an update on
18 the number of 3D members who have been placed on corporate
19 boards; and include considerations about the CEO tenure
20 plan to the context of long-term investment strategies in
21 corporations.

22 The Committee heard public comments on the
23 following topics:

24 CalPERS' commitment to the Responsible
25 Contracting Program; CalPERS team work with respect to

1 engagement and corporate governance; and CalPERS hiring of
2 its CEO.

3 At this time, I would like to highlight some --
4 share some highlights on what to expect at the November
5 Investment Committee meeting:

6 The annual reviews of the Global Equity and
7 Private Equity Programs and consultant reports; and a
8 second reading of the review of the Investment Policy
9 update.

10 The next meeting of the Investment Committee is
11 scheduled for November 13, 2018 in Sacramento, California.

12 And that concludes my report, Madam President.

13 PRESIDENT MATHUR: Thank you very much, Mr.
14 Jones.

15 The next item on the agenda is Committee report
16 from the Pension and Health Benefits Committee. And for
17 that, I'll call on its Chair, Mr. Feckner.

18 VICE PRESIDENT FECKNER: Thank you, Madam
19 President. The Pension and Health Committee met on
20 September 25th, 2018.

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

23 Agenda Item 6a, approve staff's recommendation to
24 adopt the Health Care Fund Reserve Policy.

25 PRESIDENT MATHUR: On motion by Committee.

1 Any discussion on the motion?

2 Seeing none.

3 All those in favor say aye?

4 (Ayes.)

5 PRESIDENT MATHUR: All opposed?

6 Motion passes.

7 VICE PRESIDENT FECKNER: The Committee received
8 reports on the following topics:

9 The Committee received an update on the options
10 considered by the Health Plan Administration Division for
11 administering a reference price program, and the CalPERS
12 evaluation of health regions for public agencies and
13 schools; the Committee previewed an online demo of the new
14 CalPERS open enrollment app -- mobile application.

15 The Committee directed staff to come back in
16 November with more information on a full solicitation for
17 the reference pricing prescription drugs by therapeutic
18 class versus continuing with a pilot program.

19 The Committee heard public comment on the
20 following topics:

21 The Long-Term Care Program and the
22 discontinuation of risk adjustment.

23 At this time, I'd like to share some highlights
24 of what to expect at the November Pension and Health
25 Committee meeting. The Committee will receive an update

1 on the regions and regional factors for public agencies
2 and schools.

3 The next meeting of the Pension and Health
4 Benefits Committee is scheduled for November 14th, 2018 in
5 Sacramento, California.

6 That ends my report, Madam Chair.

7 PRESIDENT MATHUR: Thank you very much.

8 Ms. Brown.

9 BOARD MEMBER BROWN: Thank you, Madam Chair.

10 You know, this Board has been hearing for several
11 months, probably since April, from our constituents about
12 the elimination of risk adjustment. And I think that this
13 Board should take it up as opposed to just hearing their
14 comments, and then ignoring them. That we should come
15 back and explain exactly what happened with risk
16 adjustment, why it was dropped, and why maybe we can't go
17 back and add it back in.

18 We hear the comments month after month, and then
19 we just say thank your three minutes are up. I'd like us
20 to have an in-depth conversation with our members,
21 retirees and explain to them what happened and exactly
22 why, if we can't, why we can't, and how we made that
23 discussion. Because what we heard yesterday is it
24 appeared to be that we voted on it in the dark of night in
25 December and just canceled it with no public comment. And

1 if that's the case, then we need to explain ourselves.

2 Thank you.

3 PRESIDENT MATHUR: Thank you, Ms. Brown.

4 The next item on the agenda is the Finance and
5 Administration Committee report. And for that I'll call on
6 its Chair, Ms. Taylor.

7 BOARD MEMBER TAYLOR: Thank you, Madam President.

8 So the Finance and Administration Committee met
9 on September 25th, 2018. The Committee recommends and I
10 move the Board approve the following:

11 Agenda Item 4b, appoint Scott Terando, CalPERS
12 Chief Actuary, as the CalPERS representative to the
13 California Actuarial Advisory Panel for a three -- for a
14 three-year term ending December 31st, 2000 -- I'm sorry,
15 year, 2020.

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

25 Agenda Item 6a, approve the final proposed

1 regulation establishing criteria to define a significant
2 increase in actuarial liability due to increased
3 compensation paid to a non-represented employee as
4 specified in Government Code section 20791.

5 PRESIDENT MATHUR: On Motion by 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: Thank you.

13 The Committee received reports on the following
14 topics:

15 Reporting on participating employees; annual
16 actuarial valuation Terminated Agency Pool; proposed
17 revision to the Amortization Policy regarding a financial
18 necessity, it was the first reading; annual discharge from
19 accountability for uncollectible debt.

20 The Chair directed the staff to continue to work
21 on the proposed revisions to the Amortization Policy
22 regarding the financial necessity with respect to a
23 turnaround time or turnaround times and/or creating a
24 visible chart and reassessment concerns.

25 The Committee heard public comment on the

1 following topic:

2 Proposed revision to Amortization Policy
3 regarding a financial necessity, first reading.

4 And at this time, I'd like to share some
5 highlights of what to expect at the November Finance and
6 Administration Committee meeting; the 2018-19 basic
7 financial statements, the first reading of the 2018-19
8 mid-year budget revisions; and the second reading of the
9 proposed revisions to the Amortization Policy regarding
10 financial necessity.

11 The next meeting of the Finance and
12 Administration Committee is scheduled for November 14th,
13 2018 in Sacramento, California.

14 Thank you, Madam President.

15 PRESIDENT MATHUR: Thank you very much, Ms.
16 Taylor.

17 The next item on the agenda is the report from
18 the Performance, Compensation and Talent Management
19 Committee. And for that I'll call on its Chair, Mr.
20 Slaton.

21 BOARD MEMBER SLATON: Thank you, Madam President.

22 The Performance, Compensation and Talent
23 Management Committee met on September 25th, 2018.

24 The Committee recommends and I move the Board
25 approve the following:

1 Agenda Item 6a, review of 2017-18 performance for
2 the Chief Executive Officer. Approve the fiscal year
3 2017-18 performance award of \$84,873, and a fiscal year
4 2018-19 base salary of \$330,720.

5 PRESIDENT MATHUR: On motion by Committee.

6 Any discussion on the motion?

7 Ms. Hollinger.

8 BOARD MEMBER HOLLINGER: Oh, no.

9 PRESIDENT MATHUR: Oh, that's for later okay.

10 Any discussion on the motion?

11 Seeing none.

12 All those in favor say aye?

13 (Ayes.)

14 PRESIDENT MATHUR: All opposed?

15 (No.)

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

17 The motion passes.

18 BOARD MEMBER SLATON: Okay. I just wanted to
19 make a personal comment. As Chair of the Committee on
20 behalf the Committee, I want to thank the HR Department
21 for all their hard work on the work that we did. I did
22 want to comment that as you heard from the CEO's report
23 this morning that we have a great hire in the CIO that's
24 coming on board, and CFO that's coming on board.

25 So I think the Committee feels we have the right

1 team here, and that we're very excited about our future
2 going forward in serving our members and retirees.

3 The Committee heard public comment on the
4 following topic:

5 Timeliness of Board meetings and notification for
6 meetings start times. Neal Johnson, SEIU 1000.

7 At this time, I'd like to share some highlights
8 of what to expect at the November Performance,
9 Compensation and Talent Management Committee meeting. The
10 Board's primary compensation consultant, Grant Thornton,
11 will present information and recommendations for a pay
12 philosophy discussion for the investment management
13 positions covered by the Board's Compensation Policy for
14 executive and investment management positions.

15 The next meeting of the Performance, Compensation
16 and Talent Management Committee is scheduled for November
17 14th, 2018 in Sacramento, California. That completes my
18 report.

19 PRESIDENT MATHUR: Thank you, Mr. Slaton.

20 The next item on the agenda is the Risk and Audit
21 Committee report. And for that, I'll call on its Chair,
22 Ms. Hollinger.

23 BOARD MEMBER HOLLINGER: Thank you, Madam Chair.
24 The Risk and Audit Committee met on September 25th, 2018.
25 The Committee recommends and I move the Board approve the

1 following:

2 Agenda Item 6a, Office of Audit Services Charter
3 Revision. Approve the revised Office of Audit Services
4 charter subject to suggested revisions regarding the
5 ability of the Chief Auditor to participate in consultive
6 or advisory activities.

7 PRESIDENT MATHUR: On motion by Committee.

8 Any discussion on the motion?

9 Seeing none.

10 All those in favor say aye?

11 (Ayes.)

12 PRESIDENT MATHUR: All opposed?

13 Motion passes.

14 BOARD MEMBER HOLLINGER: The Committee received
15 reports on the following topics:

16 The annual compliance report that highlighted
17 ECOM ethics and compliance program initiatives for
18 inclusion in the comprehensive annual financial report;
19 strategic risk measure tolerances, which was an update
20 from the June Committee meeting and included the suggested
21 tolerance levels for the strategic risk measure.

22 The Chair directed staff to:

23 Revise the Office of Audit Services Charter to
24 reflect the ability of the Chief Auditor to participate in
25 consultive or advisory activities.

1 At this time, I would like to share some
2 highlights of what to expect at the November Risk and
3 Audit Committee meeting. The independent auditor's report
4 for fiscal years 2017-2018; the review of the independent
5 auditor's management letter; and the finalist selection
6 for the independent financial statement auditor.

7 The next meeting of the Risk and Audit Committee
8 is scheduled for November 14th, 2018 in Sacramento,
9 California.

10 PRESIDENT MATHUR: Thank you, Ms. Hollinger.

11 For the next agenda item, the Committee report
12 for the Board Governance Committee, I will call on the
13 Vice Char, Ms. Hollinger.

14 BOARD MEMBER HOLLINGER: Thank you.

15 The Board Governance Committee met on September
16 24th, 2018. The Committee recommends and I move that the
17 Board approve the following:

18 Agenda Item 6a, approve the revised draft policy
19 for handling harassment allegations against Board members
20 as presented in the agenda item with the following
21 amendments as approved in Committee:

22 Page one, section three, add, "excluding the
23 President and Vice President"; page two, first paragraph,
24 replace "may" with "shall"; and page four, restore
25 "Removal or suspension from a Committee assignment", and

1 "Revocation of Board member privileges", add "Removal or
2 suspension from leadership roles on committees", and
3 strike, "Temporary termination of a Board member's travel
4 privileges" as repetitive.

5 A revised version of the policy with these
6 changes indicated in red ink is included for the Board's
7 consideration.

8 PRESIDENT MATHUR: On motion by Committee.

9 Any discussion on the motion?

10 Mr. Jones.

11 BOARD MEMBER JONES: No, not on the motion. Just
12 I have a comment afterwards.

13 PRESIDENT MATHUR: Okay. At the end. Okay.

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.

20 BOARD MEMBER HOLLINGER: The Committee heard
21 public comment on the following topic:

22 The process for handling harassment allegations
23 against Board members.

24 The next meeting of the Board Governance
25 Committee is scheduled for December 18th, 2018 in

1 Sacramento, California.

2 PRESIDENT MATHUR: Thank you very much, Ms.
3 Hollinger.

4 Mr. Jones.

5 BOARD MEMBER JONES: Yeah. Thank you, Madam
6 President. Yes. At the Risk and Audit Committee, I
7 raised the question about having a discussion about the
8 establishment of an Inspector General for CalPERS, and it
9 was not appropriate to add it to the Risk and Audit
10 Committee. The members felt that it was more appropriate
11 to be at the Board Governance Committee. So I'm
12 requesting that that be added as an item for discussion in
13 December.

14 PRESIDENT MATHUR: Thank you. We will take it
15 up.

16 BOARD MEMBER JONES: Okay.

17 PRESIDENT MATHUR: Okay. That brings us to
18 Agenda Item number 9, action agenda items.

19 Before I go to the Committee, I just want to note
20 for the Committee that we have received a new respondent's
21 argument a late filing on Item 9a23, but that I -- as I
22 understand it, that does not change the recommendation of
23 our independent counsel.

24 So now on Agenda Item number 9a, proposed
25 decisions of administrative law judge -- judges.

1 Mr. Feckner.

2 VICE PRESIDENT FECKNER: Thank you, Madam Chair.

3 I move that the Board schedule Agenda Item 9a1
4 for a full Board hearing as argued by staff.

5 PRESIDENT MATHUR: On motion by Mr. Feckner.

6 Is there a second to the motion?

7 BOARD MEMBER TAYLOR: Second.

8 PRESIDENT MATHUR: Seconded by Ms. Taylor.

9 Is there any discussion of the motion?

10 Seeing none.

11 All those in favor say aye?

12 (Ayes.)

13 PRESIDENT MATHUR: All opposed?

14 Motion passes.

15 VICE PRESIDENT FECKNER: I move that the Board
16 adopt the proposed decisions at Agenda Items 9a2 through
17 13 and 15 through 26 as the Board's own decisions with the
18 minor modifications argued by staff to Agenda Items 9a8,
19 9, 17, 20, and 23.

20 PRESIDENT MATHUR: Is there a second to the
21 motion?

22 BOARD MEMBER TAYLOR: Second.

23 PRESIDENT MATHUR: Motion seconded -- made by Mr.
24 Feckner, seconded by Ms. Taylor.

25 On the motion. Mr. Miller.

1 BOARD MEMBER MILLER: Yeah, I would like to ask
2 that we pull number 10 and consider having that -- I guess
3 do I need to make a motion.

4 PRESIDENT MATHUR: We can take -- we can take
5 that up separately after we --

6 BOARD MEMBER MILLER: We'll take that up
7 separately.

8 PRESIDENT MATHUR: Yes.

9 Okay. So then the motion is 9a2 through 9, 11,
10 through 13, 15 through 26 with the minor modifications on
11 several agenda items.

12 Any further 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 Now, Mr. Miller, did you want to make a motion on
19 number 10?

20 BOARD MEMBER MILLER: Yes, I would move we remand
21 that for taking of further evidence.

22 PRESIDENT MATHUR: Is there a second to the
23 motion?

24 BOARD MEMBER BROWN: Second.

25 PRESIDENT MATHUR: Motion made by Miller,

1 seconded by Brown.

2 Mr. Costigan.

3 BOARD MEMBER COSTIGAN: I'm sorry. This is in
4 the other cases I deal with. Typically, we give direction
5 further evidence for what? I mean, do you want to hear
6 the case or is it -- if you're going to remand it back, we
7 need to get some guidance as to what type of evidence
8 you're looking for.

9 BOARD MEMBER MILLER: Back, back. Yeah, not --

10 PRESIDENT MATHUR: But what type of evidence?

11 BOARD MEMBER COSTIGAN: Because just a remand
12 back to staff for further evidence doesn't give them
13 direction, because they've already heard the case. I
14 would support you if you want to hear the case, but I'm
15 not sure a remand back to staff for further evidence
16 without direction as to what is it you're seeking gives
17 enough direction.

18 BOARD MEMBER MILLER: Yeah.

19 BOARD MEMBER COSTIGAN: Like I said, I would
20 support you if you'd like to hear the case.

21 PRESIDENT MATHUR: Or if there's a specific area
22 where you would like to have further evidence considered.

23 BOARD MEMBER MILLER: Yeah. I'm a little bit at
24 loss in terms of -- I think if I would -- could amend my
25 motion to hearing the case, I think this case --

1 BOARD MEMBER COSTIGAN: I'll second.

2 PRESIDENT MATHUR: Okay. So a motion has been
3 made to take up Agenda Item 9a10 as -- for a full Board
4 hearing. It was made by Mr. Miller and seconded by Mr.
5 Costigan.

6 Is there 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 MILLER: Thank you.

13 VICE PRESIDENT FECKNER: I move that the Board
14 remand Agenda Item 9a14 for the taking of additional
15 evidence regarding whether staff has met its burden in
16 this case.

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

19 BOARD MEMBER TAYLOR: Second.

20 PRESIDENT MATHUR: Motion made by Mr. Feckner,
21 seconded by Ms. Taylor.

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 Okay. That brings us to Agenda Number --

4 VICE PRESIDENT FECKNER: 9b.

5 PRESIDENT MATHUR: -- 9b, Petitions for
6 Reconsideration.

7 Mr. Feckner.

8 VICE PRESIDENT FECKNER: I move to deny the
9 petition for reconsideration of Agenda Item 9b1.

10 PRESIDENT MATHUR: Is there a second to the
11 motion?

12 BOARD MEMBER COSTIGAN: Second.

13 PRESIDENT MATHUR: Motion made by Feckner,
14 seconded by Costigan.

15 Any discussion on the motion?

16 Seeing none.

17 All those in favor say aye?

18 (Ayes.)

19 PRESIDENT MATHUR: All opposed?

20 Motion passes.

21 That brings us to Agenda Item number 10,
22 Information Items. 10a, Enterprise Performance Reporting.

23 MS. Hutchins.

24 (Thereupon an overhead presentation was
25 presented as follows.)

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

4 Today I'm joined by several of our executive team
5 members to present to you the fourth quarter review of our
6 Enterprise Performance Report.

7 This report reflects the final quarter of the
8 first year of our strategic plan. And you have received
9 prior reports in November, March, and most recently July.
10 As in past reports, our goal is to focus on those
11 indicators in this quarter that are either at risk or off
12 target.

13 --o0o--

14 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
15 HUTCHINS: A little background before we jump in. The
16 framework that this system works within aligns back to our
17 foundation. That captures our mission, our vision, and
18 our values, in the simplest terms represents who we are
19 and what we want to achieve. This includes our strategic
20 plan goals, and our operational outcome measures, which
21 highlight our high level expectations.

22 --o0o--

23 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
24 HUTCHINS: Depicted on this slide is a high level visual
25 of our Enterprise Performance Management System, which

1 involves the development, implementation, monitoring, and
2 reporting, as well as ad hoc refinements of performance
3 metrics in support of our mission.

4 The intent of this system is to reinforce CalPERS
5 desire to be transparent and accountable in support of our
6 goals, objectives, and operational expectations.

7 The focus of our discussion here today will
8 highlight the strategic side of the house, which
9 encompasses our strategic measures, and our business plan
10 initiatives. As this system incorporates a significant
11 amount of data an information, you do have the full
12 details within your agenda item package.

13 --o0o--

14 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
15 HUTCHINS: Our strategic plan alignment map shows you the
16 connection between our goals, measures, initiatives. This
17 is attachment A within your material. This map reflects
18 an overlay of status indicators of red, yellow, and green.
19 And additional details for each of the indicators can be
20 found in attachment C and D.

21 This is an iterative process. As such, you will
22 continue to see other indicators to inform you of where we
23 might be waiting for data or where measures are currently
24 under development.

25 --o0o--

1 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

2 HUTCHINS: Our review an analysis of fourth quarter
3 information identified that 12 of our 37 measures
4 refreshed with data to provide new status indicators,
5 eight of those are reflecting on target, two are at risk,
6 two are off target.

7 Those indicators in the green are related to the
8 one-year total expected fund volatility, access to care,
9 diabetes self-management, and the self-reported overall
10 health status, as well as benefit payment timeliness,
11 customer satisfaction, and the reduction of our external
12 investment managers. We will discuss those items in
13 yellow and red in just a moment.

14 Of the 37 business plan initiatives, the majority
15 of those are tracking in the green, one is at risk, one is
16 off target. You will also have a update related to our
17 Information Security Office indicators within closed
18 session today.

19 So as our members of the executive team speak to
20 these measures that are off track or at risk, they will
21 provide you information regarding the root causes for
22 those status, as well as constraints and any mitigation
23 strategies currently under way.

24 Keep in mind this report is a reflection of data
25 as of June 30th of this year. However, this is a good

1 example of how we plan to report on topics that are
2 relevant and in the forefront of our strategic priorities;

3 So with that, I will hand this over to Marlene to
4 start us off with our risk management goal.

5 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE

6 D'ADAMO: Good morning, Board members.

7 PRESIDENT MATHUR: Good morning.

8 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE

9 D'ADAMO: Marlene Timberlake D'Adamo, CalPERS team member.

10 I'm going to speak to you about the business plan
11 initiative regarding the enterprise data management. The
12 enterprise data management business plan initiative is a
13 multi-year initiative, and is currently off target because
14 two deliverables did not materialize by the proposed due
15 date.

16 Those deliverables were the establishment of the
17 enterprise data management governance, which includes the
18 steering committee and defining enterprise data management
19 governance roles, for example, data owner and data
20 steward.

21 The second is the developed change management
22 plans, including communication and training plans and
23 model development for data management metrics. The reason
24 is because the original scope of the data governance
25 initiative focused primarily on a Comprehensive Annual

1 asset allocation, and shortening the amortization period
2 for employers from 30 years to 20 years.

3 While this measure remains off target in absolute
4 numbers, it should be viewed in conjunction with the
5 propo -- projected funded status measure to monitor
6 progress towards meeting the 100 percent funding goal,
7 given that the status of this measure is expected to be
8 off target for an extended period.

9 This concludes my report and I will pass it off
10 to Ted.

11 (Sneeze.)

12 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE

13 D'ADAMO: Bless you.

14 (Laughter.)

15 --o0o--

16 CHIEF INVESTMENT OFFICER ELIOPOULOS: I don't
17 know whether the bless -- bless you was to me or to the --

18 (Laughter.)

19 CHIEF INVESTMENT OFFICER ELIOPOULOS: Thank you
20 so much. Usually not the -- the hand over is quite that
21 polite exactly.

22 So good morning, members of the Board. Ted
23 Eliopoulos, CalPERS team member.

24 This strategic measure, the annualized five-year
25 excess investment returns relative to the Total Fund

1 Policy benchmark is listed at risk in yellow for this
2 measurement period. I think the Board's familiar through
3 all your work on the Investment Committee that this
4 measure measures the effectiveness of the Investment
5 Office in meeting the objective of achieving superior
6 investment performance relative to relevant targets.

7 Annualized five-year excess investment returns
8 relative to the Total Fund Policy benchmark is a composite
9 established by the Investment Committee, assigning asset
10 class benchmarks and target weights derived from the ALM
11 process.

12 The measure directly maps to our Investment
13 Beliefs regarding accountability for long-term returns,
14 and the importance of asset allocation determining both
15 risk and performance. For this reporting period, we
16 underperformed the policy benchmark by seven basis points.

17 As the Board will remember we had an extensive
18 discussion about this in August at the Investment
19 Committee. While seven basis points is within certainly
20 an acceptable level for this time period, it is
21 appropriate to have it at -- you know a yellow at risk. I
22 would note that in absolute terms, this five-year net
23 return of 8.1 percent does exceed our assumed rate of
24 return.

25 Why at risk? We covered this in August. For

1 this particular five-year period, underperformance
2 relative to the policy benchmarks for our private equity
3 and Real Assets Program underperformed for that five-year
4 period, highlighting some of the challenges that we face
5 identifying appropriate benchmarks for the private asset
6 classes.

7 More importantly, I think we discussed in August
8 that as part of the performance attribution work that
9 we've been doing quite extensively over the last few
10 years, we will be looking at the sources of active risk
11 within the entire investment portfolio and bringing back
12 to the Investment Committee a review of the active risk
13 positioning of the different components of the total fund.

14 That is one mitigation strategy for sure that
15 we're approached -- or that we are using, in addition to
16 all the efforts that are identified in the INVO 2020
17 Vision, our five year strategic plan, really defining the
18 long-term direction and support of the overall investment
19 performance of the fund.

20 --o0o--

21 CHIEF INVESTMENT OFFICER ELIOPOULOS: So that's
22 that one.

23 Can you continue on to strategic measure -- which
24 one? You just flipped a couple on me. Here we are on the
25 five-year net value-added. This one is the mirror image

1 of that. It's the same point that the net value-add on
2 the performance measure fell below our peers and the CEM
3 measurement data.

4 This strategic measure, as the Board I think is
5 very familiar with in our Investment Committee work,
6 measures the five-year net value-add relative to an
7 appropriate peer universe median return adjusted for the
8 composition of asset allocations after expenses of the
9 constituent members of the survey.

10 CEM data used for this measure, it's important to
11 note, is as of December 31st, 2016, not the end of the
12 fiscal year. More current data, as of December 31st, 2017
13 should be available from CEM in a few months.

14 Again, why off target? This five-year number --
15 CalPERS achieved a five year net value-added of negative
16 0.1 percent, and did not exceed the UC peer median of 0.2
17 percent. It is important to note that there are two
18 pieces to the CEM review. One is the performance, the
19 other is cost. And CEM continues to classify CalPERS as a
20 low-cost fund, with an overall cost favorable report of
21 four basis points lower than our peers.

22 --o0o--

23 CHIEF INVESTMENT OFFICER ELIOPOULOS: Next.
24 External manager monitoring expectations and reductions
25 strategy.

1 CHIEF INVESTMENT OFFICER ELIOPOULOS: Actually,
2 better watch out on that side.

3 CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: Good --
4 Got me all choked up.

5 Good morning, the Board, Liana Bailey-Crimmins,
6 CalPERS team member. For the CalPERS strategic goal of
7 health care affordability, I am pleased to report that for
8 the rating of health care, we have increased by 1.7
9 percent over 2017, so we're currently 83.6. But we're
10 still in the yellow status, because our target is 85
11 percent.

12 And so when we survey our members, we're looking
13 for a range of 85 percent of our members giving their
14 plans and eight or higher. And obviously this is on a
15 scale from 0 to 10, 10 being the highest score that a plan
16 can receive.

17 For any plan that fails to receive 85 percent,
18 they will receive a Satisfaction Improvement Action Plan,
19 and they will be reporting to that -- to us quarterly, so
20 we can ensure that by the time we hit the next annual
21 survey, that they have made progress.

22 With that, I'm going to go ahead and turn it back
23 over to Sabrina.

24 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
25 HUTCHINS: All right. Unless, there's any questions, that

1 concludes our report. Our next reporting cycle will be
2 November, which is the first quarter of our second year.

3 PRESIDENT MATHUR: Thank you very much, Ms.
4 Hutchins, and -- and to everyone. I think this is a
5 really important undertaking to report on sort of our
6 strategic plan and where things are off course, and
7 because obviously those are the things that the Board
8 needs to be focused on. So I appreciate these quarterly
9 reports, and the senior level of the presentation, because
10 I think it really exemplifies our commitment to continual
11 improvement and to striving to reach our strategic goals.
12 So thank you for coordinating this effort to.

13 Okay. Well, with that, we are going to move on
14 to 10b, State and federal legislative update. And with
15 that, we'll welcome our new Legislative Director, Danny
16 Brown, and Dan Crowley, and Brad.

17 VICE PRESIDENT FECKNER: Why isn't Danny coming
18 up?

19 PRESIDENT MATHUR: I don't know.

20 DEPUTY EXECUTIVE OFFICER PACHECO: Good morning,
21 Madam President and Members of the Board. Brad Pacheco,
22 CalPERS team. I know your agenda lists Mr. Brown, and he
23 is here with us. He joined us last week as our new Chief
24 of our Legislative Affairs Division. We're really happy
25 to have him back. He and I agree that I would do the

1 close-out of the legislative session one final report, and
2 then we'll turn the reins over to him and he'll be in
3 front of you in November.

4 But I am joined by Dan Crowley with K&L Gates,
5 our federal lobbyist. Dan is here to give us a federal
6 update, so we'll start with that this morning.

7 MR. CROWLEY: Thank you.

8 PRESIDENT MATHUR: Turn on your mic. Good
9 morning, Mr. Crowley.

10 MR. CROWLEY: Great. Thank you.

11 Madam President, members of the Board, I'm Dan
12 Crowley with the law firm of K&L Gates. I lead the
13 bipartisan team that collectively is your federal
14 investment policy representative in Washington D.C. and
15 I'm going to give you a quick overdate -- update on our
16 activities on your behalf. And then I'd be happy to
17 respond to any questions. Those of you who were on the
18 Board at the time will remember that we had an offsite
19 discussion in January of 2017, at which we discussed the
20 decline in public companies and the new administration's
21 focus on rekindling the IPO market and incentivizing more
22 companies to go public.

23 And at that offsite, we were given a directive to
24 position CalPERS as an opinion leader on policy issues
25 that impact returns to the fund. And I am happy to report

1 that our efforts to date have largely been successful in
2 that regard. Our goal continues to be to preserve and
3 improve the regulatory reforms that were necessitated by
4 the credit crisis. I did have a policy insight called A
5 *Decade Later: Could it Happen Again?* And I regret to say
6 we didn't make enough copies for everybody, but I
7 understand they'll be made available to the Board. And if
8 anybody else is interested, it is available on the K&L
9 Gates website.

10 But the reason I reference that is that it makes
11 the point that the centerpiece of Dodd-Frank reform was
12 Title 7, which created a whole new regulatory regime for
13 swaps and derivatives. And among our mandate from the
14 Board was to make sure that that -- those provisions
15 remain in tact. I'm happy to report that that is the
16 case.

17 There has been number of -- there's been a lot of
18 legislative activity, and I'll recap that quickly. But
19 suffice it to say that CalPERS has been engaged at every
20 step starting with the Financial CHOICE Act, which was the
21 House Republican blueprint for fundamentally reforming
22 Dodd-Frank. Many of the provisions were controversial.

23 We early on in the process objected to a number
24 of the provisions, particularly those having to do with
25 reducing SEC funding or changing the cycle for proxy

1 voting on executive compensation, efforts to regulate
2 proxy advisors in a counterproductive way, tying the SEC
3 up in knots with cost-benefit analysis, rolling back
4 transparency on private equity.

5 And we have consistently opposed those
6 provisions. And I think it's safe to say that none of
7 them are currently viable, and almost certainly will not
8 be enacted before Congress adjourns at the end of the
9 year.

10 We did weigh in on the Financial CHOICE Act as a
11 stage setter for what came next, which was S-2155, the
12 Economic Growth Regulatory Relief and Consumer Protection
13 Act. You'll remember this was a broadly bipartisan bill
14 that started in the Senate. CalPERS did weigh in both on
15 S-2155 and then a number of other bipartisan provisions
16 that were part of the Financial CHOICE Act that remained
17 viable. We continue to do that.

18 We reiterates our objection to the provisions.
19 We didn't like -- we found provisions that were consistent
20 with the Board mandate to incentivize more companies to go
21 public, and we supported those bills, including the Small
22 Business Capital Formation Enhancement Act, the Improving
23 Access to Capital Act, Expanding Investment Opportunities
24 Act, and so forth, while again reiterating our opposition.

25 Up to that point, we're batting a thousand in

1 terms of the positions that we either supported or
2 opposed. The question is where do we go from here? There
3 is ongoing discussion about a JOBS Act 3.0, and CalPERS
4 has weighed in again in support of a number of provisions
5 there encouraging Public Offerings Act, and the like,
6 while continuing to express reservations on some of the
7 provisions that quite frankly are not bipartisan and
8 therefore don't have any chance for enactment in the
9 current Congress.

10 In terms of how things play out, we know that the
11 Senate Banking Committee would very much like to take up
12 the House passed JOBS Act Bill. That was a broadly
13 bipartisan bill supported not only by Chairman Hensarling
14 but also the Ranking Member, Maxine Waters, who I note if
15 the Democrats take the majority in the November election
16 is likely to become the Chair of the House Financial
17 Services Committee.

18 She supported the JOBS Act 3.0. And the real --
19 only real question at this point is whether the Senate
20 runs out of runway, given everything else they've got on
21 their agenda. I expect that that's likely to happen, that
22 they will not have the time to consider the JOBS Act as a
23 stand-alone measure. However a number of the same
24 provisions have been embedded in the Financial Services
25 and General Government Appropriations Bill. And again,

1 they enjoy bipartisan support.

2 Chairman Shelby, who was Chairman of the Banking
3 Committee is now Chairman of the Appropriations Committee,
4 he may very well agree to put a number of those bipartisan
5 provisions in the final appropriations bill. What gets
6 included I think depends in large part on what the ranking
7 Democrat on the Banking Committee, Sherrod Brown, will
8 agree to. And that could play out either between now and
9 the election in the appropriations process or perhaps even
10 in a lame duck.

11 But the lessons of our experience over the last
12 Congress are clear, which is that nothing is going to
13 happen on Dodd-Frank reform, pro or con, that doesn't have
14 very broad bipartisan support.

15 And I think through the Board directive and the
16 activity that's we've worked on both internally and
17 externally, led by the very capable Gretchen Zeagler who
18 has been sort of the hub on the wheel to coordinate
19 resources internally and externally. You are in an ideal
20 position regardless of the outcome of the next election.

21 I think going forward, these issues will continue
22 to be debated. There's room for improvement. But any
23 improvement will need to be bipartisan. Let me also just
24 say it's great to see Danny Brown on the team. I think,
25 you know, he's a seasoned professional that will help take

1 your advocacy efforts to the next level.

2 I've been asked to give a very quick recap on tax
3 policy. You know, there was a bill last year the Tax Cuts
4 and JOBS Act, which was partisan. It's controversial.
5 Republicans in the House are seeking to make a number of
6 the provisions permanent, particularly the individual rate
7 reductions and truly controversial things like the state
8 and local tax deduction.

9 They have passed that through the Ways and Mean
10 Committee. We expect it to pass the full House between
11 now and the election. Highly unlikely to be considered in
12 the Senate, which where you still need 60 votes. And
13 certainly no Democrat will vote for that package.

14 But there is a provision and it -- let me just
15 say there is no UBIT change, and that was a concern on the
16 front end of the tax reform. Your team did a good job of
17 blocking and tackling to keep that out. It's not in the
18 current proposal.

19 Nor is PEPTA, the Nunes bill, around the discount
20 rate for unfunded pension fund liabilities. But that
21 could come back next year as a consequence of the Joint
22 Selection Committee on solvency of multi-employer pension
23 plans, which had a hearing in April focused on solvency of
24 defined benefit plans. And depending on their
25 recommendations, we could see the Nunes bill resurface in

1 that context.

2 So I don't want to dwell on tax reform, but let
3 me just add that there is also a now permanent
4 international dimension to what we're doing. I saw that
5 Ms. Hollinger is going to go to the ICGN, which is
6 important, because that international institutional
7 investor community continues to move forward on things
8 like ESG, even if this administration is not focused on
9 known areas. In Europe, I note that the European
10 Commission has proposed requiring ESG considerations by
11 asset managers as a fiduciary obligation. And Europeans
12 tend to be two or three years ahead of us on these things.
13 But that all continues apace regardless of what this
14 administration may be doing on climate change or ESG more
15 generally.

16 And then finally let me just say that the
17 international regulatory regime is made increasingly
18 complicated by Brexit, which will be final at the end of
19 March in 2019. And then I think coordinating between the
20 international regulators who, of course, have a direct
21 impact on the domestic regulators will become a three
22 dimensional chess game as we sort out the UK's role in the
23 new world order.

24 But I'd be happy to stop there and respond to any
25 questions.

1 PRESIDENT MATHUR: Thank you very much for your
2 report, Mr. Crowley.

3 Ms. Taylor.

4 BOARD MEMBER TAYLOR: Yes, thank you.

5 Thank you very much for the report. It was very
6 inclusive of everything. So I wasn't aware that some of
7 this Dodd-Frank revisions were not going through, so
8 that's good news. What I wanted to know though is a lot
9 of the agencies are pulling back, like they're ordering
10 the SEC to pull back rules, and other agencies. If you
11 could kind of give an outline of what the -- what impact
12 those have on us?

13 MR. CROWLEY: Sure. First of all, I didn't
14 mention most of the regulatory things. Of course, there's
15 a lot going on there, and a lot of blocking and tackling
16 that is going on. And I should have mentioned that the
17 SEC is having a roundtable on the proxy voting process on
18 November 15th. And we've talked to Gretchen and Danny
19 about having a CalPERS Board representative there.

20 So we do continue to engage on the regulatory
21 front. Let me answer you by again referring to the alert
22 a decade later could it happen again, because in this
23 piece, we make the point that during the 2016 election,
24 Republicans generally, and President Trump in particular,
25 ran on a platform of repealing and replacing Dodd-Frank.

1 Clearly, they had the ability do that, controlling both
2 Houses of Congress and someone who would sign their
3 legislation.

4 Interestingly, they did not do that. Instead,
5 the President issued an Executive Order early in 2017
6 directing Treasury to promulgate a series of reports,
7 which have now been completed. There have been four
8 reports starting with depository institutions, asset
9 managers, insurance, the last one was fintech and sort of
10 a catch-all, that are, objectively speaking, very good
11 reports. They're accurate. They're thoughtful. They're
12 not partisan. They point out problems that need to be
13 corrected. But notably, they do not advocate repealing
14 and replacing Dodd-Frank, or making fundamental changes to
15 any of the core provisions in Dodd-Frank.

16 I mentioned Title 7, the new derivatives regime.
17 They recommend some tweaks around the edges. But no one
18 is talking about revisiting Title 7, because I think
19 there's bipartisan implicit acknowledgement that that
20 reform was necessary because of the bipartisan policy
21 failure a decade before, in the decision to exempt swaps
22 from regulation and the Commodity Futures Modernization
23 Act of 2000.

24 The other thing that it doesn't do is reintegrate
25 the consumer protection function with the bank regulatory

1 function. The CFPB or the BCFP, whatever they're calling
2 it these days, is here to stay.

3 And so I think there's implicit bipartisan
4 acknowledgement that Dodd-Frank is the law of the land.
5 But frankly, they revisited every law from the 1864
6 National Bank Act through Sarbanes-Oxley in 14 months.
7 And both Chairman Dodd and Chairman Frank have publicly
8 said repeatedly, there's no way to do that that quickly
9 and get it all right. So there will be a need to address
10 unintended consequences, and to continue to revise these
11 rules probably for the foreseeable future.

12 BOARD MEMBER TAYLOR: Okay. Great. Thank you.

13 PRESIDENT MATHUR: Thank you very much.

14 Ms. Paquin.

15 ACTING BOARD MEMBER PAQUIN: Thank you, Madam
16 President. Thank you for the report. Can you give us a
17 little bit more background and color on the SEC's
18 roundtable and proxy advisories coming up in November and
19 what you think may come out of that.

20 MR. CROWLEY: Yeah, that's a very good question.
21 Quite frankly, what we're seeing, and this relates back to
22 the Board off-site about the desire to see more publicly
23 traded companies is that on the issuer side, led by our
24 friends at the Chamber, the National Association of
25 Manufacturers, the business round table, there is an

1 unfortunate vilification, if you will, of institutional
2 investors as the reason why people don't want to go
3 public. And they blame the proxy voting process. They
4 blame proxy advisors. They blame ESG. None of which is
5 accurate, of course.

6 Companies are no longer going public because they
7 don't have to. If they can raise as much money as they
8 need from private equity, and do so in the shadows without
9 the scrutiny and governance that goes with being a
10 publicly traded company, that's what they're going to do.

11 But this proxy advisory roundtable, while it is
12 focused on the plumbing of the proxy process, I think is a
13 very important discussion about the critical role that
14 institutional investors play in the corporate governance
15 process. The providers of capital should not be vilified
16 for companies not going public, and that's what's
17 happening.

18 And so I'm hoping that this roundtable will be an
19 opportunity to start setting the record straight. The
20 National Association of Manufacturers has created a group
21 called the Main Street Investor Coalition. I'm fairly
22 certain, there are no main street investors involved with
23 it.

24 (Laughter.)

25 MR. CROWLEY: It's simply and effort to push back

1 on institutional investors. Now, the proxy roundtable I
2 think is going to be mostly about the plumbing, the voting
3 process, who votes, how is it recorded, that sort of
4 thing. But there will inevitably be a discussion around
5 the role of proxy advisors, and the important role that
6 institutional investors play in corporate governance.

7 And I think we should take that as an opportunity
8 to start putting our side of the story on the record.

9 ACTING BOARD MEMBER PAQUIN: Thank you.

10 PRESIDENT MATHUR: Thank you very much.

11 Any further questions for Mr. Crowley?

12 Seeing none, I thank you very much for being with
13 us today.

14 MR. CROWLEY: Thank you.

15 PRESIDENT MATHUR: Okay. That brings us -- oh
16 State legislation.

17 DEPUTY EXECUTIVE OFFICER PACHECO: Just a few
18 comments, Madam President.

19 PRESIDENT MATHUR: Yes.

20 DEPUTY EXECUTIVE OFFICER PACHECO: And thank you,
21 Dan, for being here. As you know, the legislature wrapped
22 up its second year of its two-year session on the 31st.
23 The Governor has until September 20th to sign or veto any
24 legislation that would take effect on January 1st, 2019.

25 I am pleased to report that the Governor has

1 signed two of the Board's sponsors -- sponsored bills. He
2 signed into law Assembly Bill 2196 authored by Assembly
3 Member Cooper, which would -- or which does eliminate
4 installment payments for service credit purchases into
5 retirement.

6 And he also signed Senate Bill 1022 by Senator
7 Pan, which shortens our contracting -- or, excuse me,
8 contracting, yes, agency termination process.

9 We're still waiting for him to review and look at
10 Assembly Bill 2415, which would give this Board salary
11 setting authority over a Chief Health Director and a Chief
12 Operating Officer.

13 Other bills. Ms. Frost mentioned the Governor
14 signed Senate Bill 1413 by Senator Nielsen, which creates
15 the California Employers Pension Prefunding Trust Program.
16 I did want to mention that the bill also contains a
17 general fund appropriation of nearly \$700,000 to CalPERS
18 for start-up costs.

19 And I did want to recognize and thank Dillon
20 Gibbons with the Special Districts Association, because he
21 brought this forward and has spent a lot of time moving it
22 to this point.

23 There are a couple bills that would affect
24 CalPERS that still remain on the Governor's desk that
25 includes Assembly Bill 1912. So this would be the JPA

1 Bill that we've been talking about during the legislative
2 session. Assembly Bill 1597, that's Assembly Member
3 Nazarian's Bill that would require us to divest from any
4 investment vehicle, issued, owned, controlled managed by
5 the Country of Turkey -- or the government of Turkey.

6 Then there's also Senate Bill 826, which would
7 require publicly-held corporations to add additional
8 female directors to their corporate boards. And then
9 Senate Bill 1124, we've mentioned this before. It's
10 authored by Senator Leyva. It would require the former
11 employer of a retiree whose monthly benefit is reduced
12 because an audit of ours found an error to be responsible
13 for any benefit overpayment and future payment.

14 So those are bills that we're continuing to
15 watch. We are working with our program areas within the
16 organization to develop proposals for the 2019 legislative
17 session. And you'll be seeing those brought forward by
18 Mr. Brown and the team in November and December for your
19 review.

20 So that includes our report.

21 PRESIDENT MATHUR: Thank you very much, Mr.
22 Pacheco.

23 Mr. Costigan.

24 BOARD MEMBER COSTIGAN: Thank you for the
25 thorough report. I just want to note, I know it's a bill

1 not we're -- we're not tracking, but does have an impact.
2 Do you have an update on 6 -- SB 656, Moorlach?

3 DEPUTY EXECUTIVE OFFICER PACHECO: Yeah, I'm
4 sorry. I overlooked that. Senate Bill 656 is still with
5 the Governor and still on his desk.

6 BOARD MEMBER COSTIGAN: Okay. Thank you.

7 DEPUTY EXECUTIVE OFFICER PACHECO: And so we're
8 just monitoring that.

9 BOARD MEMBER COSTIGAN: Thank you.

10 PRESIDENT MATHUR: And just for the audience,
11 remind us what 656 is?

12 DEPUTY EXECUTIVE OFFICER PACHECO: So that allows
13 a member of the Judges' Retirement System that has --
14 that's age 60 or older with a minimum of five years of
15 service or who accrues a minimum of 20 years of service to
16 leave the bench and to elect to receive a monthly defined
17 benefit allowance.

18 PRESIDENT MATHUR: Okay. Thank you.

19 Any further requests to speak?

20 Seeing none. I thank you very much for your
21 report Mr. Pacheco oh.

22 And that brings us now to Agenda Item number 10c,
23 summary of Board direction.

24 CHIEF EXECUTIVE OFFICER FROST: I recorded two
25 requests. The first was to determine what and how we can

1 communicate the decision on the elimination of risk
2 adjustment to interested stakeholders. And then the
3 second is to work with the Governance Chair for a December
4 Agenda Item on the concept of an Inspector General.

5 PRESIDENT MATHUR: Yes, that's what I had as
6 well. Thank you very much.

7 Okay. That brings us to 10d, public comment. I
8 have one request to speak Neal Johnson, if you'd please
9 come forward, take a seat to my left, identify yourself
10 and your affiliation for the record, and you'll have three
11 minutes to speak.

12 MR. JOHNSON: Good morning. Neal Johnson SEIU
13 Local 1000.

14 Yesterday, at the Performance, Compensation and
15 Talent Management Committee, I made a public comment,
16 which was memorialized in the notes today. But what I
17 failed to do was give credit where credit is due. And I
18 want to thank the Committee, and particularly its Chair,
19 Mr. Slaton, for when they opened the open -- started the
20 open session, he explained why the closed session had run
21 so long, and what was the -- what the Committee would be
22 dealing with in the open session. And he did it in a very
23 clear, concise fashion. And I want to thank him and the
24 Committee for that.

25 Thank you.

1 PRESIDENT MATHUR: Thank you very much, Mr.
2 Johnson.

3 I have no further requests. Is there any other
4 member of the public who wishes to speak at this time?

5 Okay. Then that brings us to Agenda Item number
6 11, approval to meet in closed session pursuant to
7 Government Code section 11126(c)(18)(A). This morning, we
8 have two substantive items in closed session, an update on
9 litigation matters, and a cybersecurity update involving
10 staff's work to protect the system.

11 Unlike the closed session item for litigation
12 matters, in order to hold a closed session to consider
13 matters posing a potential threat of criminal activity
14 against CalPERS property or equipment, including
15 electronic data, and where disclosure would compromise
16 CalPERS security, the Bagley-Keene Open Meeting Act
17 requires at least two-thirds of the Board to affirmatively
18 vote in order to utilize this exception.

19 Based on consultation with our Legal Office,
20 discussion concerning CalPERS information security, and
21 cybersecurity qualifies for this closed session exception.

22 After the closed session, the Board will briefly
23 report out in open session that we met under this
24 exception, and if any action was taken.

25 What is the pleasure of the Board? I'm looking

1 for a motion and second to meet in closed session.

2 BOARD MEMBER COSTIGAN: Move it.

3 BOARD MEMBER JONES: Second.

4 PRESIDENT MATHUR: Motion made by Mr. Costigan
5 and seconded by Mr. Jones to meet in closed session for
6 the information security update and cybersecurity
7 briefing.

8 Any discussion on the motion?

9 Seeing none.

10 All those in favor say aye?

11 (Ayes.)

12 PRESIDENT MATHUR: All opposed?

13 Motion passes.

14 At this time, we will recess the open session of
15 the Board meeting and convene into closed session in 15
16 minutes.

17 (Off record: 10:49 a.m.)

18 (Thereupon the meeting recessed
19 into closed session.)

20 (Thereupon the meeting reconvened
21 open session.)

22 (On record: 11:46 a.m.)

23 PRESIDENT MATHUR: Okay. We are going to
24 reconvene in open session.

25 The Board met in closed session today pursuant to

1 Government Code section 11126 Subdivision (c)(18)(A).
2 During the closed session, the Board received and
3 information security update and cybersecurity briefing on
4 staff's work to protect the system. The Board took no
5 action.

6 That completes the agenda, and we are adjourned.
7 Thank you, everyone.

8 (Thereupon the California Public Employees'
9 Retirement System, Board of Administration
10 open session meeting adjourned at 11:47 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 2nd day of October, 2018.



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