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
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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Adjournment

Reporter's Certificate
PROCEDINGS

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

BOARD SECRETARY BUCHANAN: Good morning.
Priya Mathur?

PRESIDENT MATHUR: Good morning.

BOARD SECRETARY BUCHANAN: Rob Feckner?

VICE PRESIDENT FECKNER: Good morning.

BOARD SECRETARY BUCHANAN: Margaret Brown?

BOARD MEMBER BROWN: Good morning.

BOARD SECRETARY BUCHANAN: Matthew Saha for John Chiang?

ACTING BOARD MEMBER SAHA: Good morning.

BOARD SECRETARY BUCHANAN: Richard Costigan?

BOARD MEMBER COSTIGAN: Here.

BOARD SECRETARY BUCHANAN: Dana Hollinger?

BOARD MEMBER HOLLINGER: Here.

BOARD SECRETARY BUCHANAN: Adria Jenkins-Jones?

BOARD MEMBER JENKINS-JONES: Here.

BOARD SECRETARY BUCHANAN: Henry Jones?

BOARD MEMBER JONES: Here.

BOARD SECRETARY BUCHANAN: David Miller?

BOARD MEMBER MILLER: Here.

BOARD SECRETARY BUCHANAN: Ramon Rubalcava
PRESIDENT MATHUR: Excused.

BOARD SECRETARY BUCHANAN: Bill Slaton?
BOARD MEMBER SLATON: Here.

BOARD SECRETARY BUCHANAN: Theresa Taylor?
BOARD MEMBER TAYLOR: Here.

BOARD SECRETARY BUCHANAN: And Lynn Paquin for Betty Yee?

ACTING BOARD MEMBER PAQUIN: Here.

PRESIDENT MATHUR: Thank you.

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

BOARD MEMBER JONES: Move it.
BOARD MEMBER TAYLOR: Second.

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

Any discussion on the motion?

Seeing none.

All those in favor say aye?

(Ayes.)

PRESIDENT MATHUR: Motion passes.

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

BOARD MEMBER JONES: Ready. Begin.

(Thereupon the Pledge of Allegiance was recited in unison.)
PRESIDENT MATHUR: So now to my President's report.

Good morning, everyone.

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

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

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

He always encouraged thoughtful dialogue and debate, and welcomed the views of our members and employer stakeholders. His insights and leadership contributed to the soundness and integrity of the system, and ultimately enhanced the financial security of CalPERS members.
All the while, he maintained an enthusiastic dedication to auto racing, including regular attendance at the annual Chili Bowl Nationals in Tulsa, Oklahoma.

Richard, will you please join me on stage.

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

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

MR. GILLIHAN: Sure. Why not.

(Laughter.)

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

No, I'm just kidding.

(Laughter.)

MR. GILLIHAN: It's truly been an honor to be on this Board. It was almost four and half years. I showed up on short notice, much like Adria did. So that seems to be the pattern of CalHR Directors is you get tapped, and
then there's like a Board meeting the week or two afterwards, so -- but it's been a privilege and an honor to serve the members of this system, to serve on this Board with you all. I know the important work you have to do and the decisions ahead of you, but I know you'll make those decisions with the best interests of your members at heart, and also the employers that have to pay the bill too.

(Laughter.)

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

PRESIDENT MATHUR: Thank you so much, Richard.

(Applause.)

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

MR. GILLIHAN: I can see my name.

(Laughter.)

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

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

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

(Thereupon a recess was taken.)

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

PRESIDENT MATHUR: Okay. I'm going to call the
Board meeting back to order. The next order of business is the Chief Executive's Report.

Ms. Frost.

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

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

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

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

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

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

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

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

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

We do know that some of these decisions have
impacted our employers, and we've been striving to give them all the information and the tools that they need to make the best decisions possible.

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

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

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

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

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

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

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

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

Instead of adding new positions, we've created what we call an enterprise pooling system that redirects
resources where they are needed most. So we look at vacancies as they occur, and we determine where that vacancy needs to be deployed. In addition, we're incorporating lean processes throughout the organization to streamline how we go about our work.

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

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

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

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

Now, let's turn to some executive news. Late last month, we announced that Michael Cohen is our new Chief Financial Officer. Michael is very well respected within State government having served our State for over 20 years, most recently as the Director of Department of
Finance, managing the State's a multi-billion dollar budget.

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

(Applause.)

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

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

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

(Laughter.)

(Applause.)

PRESIDENT MATHUR: Welcome.

CHIEF EXECUTIVE OFFICER FROST: Thank you,

Michele.

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

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

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

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

Health plan statements and all open enrollment information is available in the members myCalPERS accounts now. And remember that the new premium rates and plan changes would take effect on January 1 of 2019.

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

The new online edition it complements the paper edition that we already provide. And it allows members to access the newsletter anytime using -- anytime, anywhere really, using a tablet, a mobile phone, or a desktop computer. It includes all of the information from the latest print edition, but also provides members access to
additional news published in our two previous issues this year.

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

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

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

Moving on now to visits with stakeholders and pension partners around the country for this last month.
Earlier this month, I had the opportunity to address delegates of the Retired Public Employees Association during their biennial generally assembly in Southern California. There were about 200 members in attendance, who were glad to hear about the work we've been doing to strengthen the fund. I'd like to also extend a congratulations to Al Darby, who has been elected as the new RPEA president.

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

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

And then a few days later, I addressed attendees of the National Conference on Public Employee Retirement Systems, NCPERS. There were about 150 in attendance, all focused on the same thing, and that was public pension
funding, and the challenges facing public pension systems. I was pleased to be a part of that conference and to interact with other pension leaders, including Dana Dillon who is at our sister system across the river who moderated the panel.

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

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

Let me also remind you about our 19th annual Education Forum taking place next month. So mark the date, October 22nd through the 24th in Indian Wells. We are expecting a record turnout. We have more than 900
confirmed registrations already. This is a great opportunity for us to interact with employers at all levels, help to build really important relationships, and to ensure that they return home with the solutions that they came for.

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

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

(Thereupon a video was played.)

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

We also like to end our all-employee event on a high note with our annual music video, which I'll -- also,
I would like to share with you now. It does give you a flavor of the wonderful and talented people we have working here or who choose to work here at CalPERS. So if we could roll that video as well.

(Thereupon a video was played.)

CHIEF EXECUTIVE OFFICER FROST: Thank you.

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

And President Mathur, that concludes my remarks.

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

And I would like to just briefly share a story that I heard the other day from a member down in Santa Clara County who was sharing with me that a fellow colleague was sadly very ill and in the ICU. And a CalPERS member -- staff person went to their bedside in
the ICU to help them fill out their final paperwork and beneficiary information, designations, et cetera. And that just shows the commitment that our -- that our team has here for our members. And truly, we do all serve California together. And for that I am terribly proud.

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

VICE PRESIDENT FECKNER: Than you.

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

BOARD MEMBER COSTIGAN: Second.

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

Any discussion on the motion?

Seeing none.

All those in favor say aye?

(Ayes.)

PRESIDENT MATHUR: All opposed?

Motion passes.

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

VICE PRESIDENT FECKNER: Thank you, Madam Chair.

You know this item the President, in all due conscience, sent this one to me, because it involved
travel to Washington for looking at the vote count for the upcoming election. And being a candidate she did not want to weigh in on the -- on that topic, so she handed it to me. I could have just said no, because personally I don't think this is proper travel for trust fund money. Any Board member certainly is -- has the opportunity and right to go and witness the vote count, but you would be doing so on your own dime, not on the PERF fund. So that was my personal opinion.

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

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

Mr. Slaton.

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

That being said, what we try to do in that process is take the politics out of it, and it's a staff
function to do this, which I think is very appropriate. And I agree with you that if any Board member wishes to, on their own dime, to go down and -- or go up to the State of Washington, to observe the process, they're certainly entitled to do that. But I don't think it's appropriate for resources of CalPERS to be used for that.

Thank you.

VICE PRESIDENT FECKNER: Thank you.

Ms. Brown.

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


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

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

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

VICE PRESIDENT FECKNER: Thank you.

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

VICE PRESIDENT FECKNER: I think Ms. Malm wants
to weigh in as well.

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

BOARD MEMBER BROWN: Thank you.

PRESIDENT MATHUR: Thank you.

Mr. Miller.

VICE PRESIDENT FECKNER: Mr. Miller.

PRESIDENT MATHUR: Oh, I'm sorry.

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

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

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

VICE PRESIDENT FECKNER: Thank you.

Ms. Brown again.

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

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

If staff is going to be there and do that, that's
fine, but I still would like to go as a Board
representative that's not -- that's not running for any office this time around.

    Thank you.

VICE PRESIDENT FECKNER: Mr. Jones.

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

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

VICE PRESIDENT FECKNER: Thank you.

Ms. Taylor.

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

    I just want to say I think that it's fully appropriate for candidates to use their candidate funds to go and observe this. And I would expect the candidates,
if they want to do that, to do that. Board members who
have endorsed candidates are -- shouldn't -- it's not an
appropriate use, if a Board member has endorsed a
candidate, to use CalPERS funds to go watch the process.

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

VICE PRESIDENT FECKNER: Thank you.

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

Mr. Slaton.

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

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

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

VICE PRESIDENT FECKNER: Pardon?

BOARD MEMBER SLATON: We didn't?
VICE PRESIDENT FECKNER: We have not approved any of them yet.

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

VICE PRESIDENT FECKNER: No, no.

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

VICE PRESIDENT FECKNER: It's Item 6b.

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

BOARD MEMBER COSTIGAN: Second.

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

Seeing no discussion on the motion.

All in favor say aye?

(Ayes.)

PRESIDENT MATHUR: Opposed, no?

(No.)

VICE PRESIDENT FECKNER: Motion carries.

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

PRESIDENT MATHUR: Thank you very much, Mr. Feckner.
Okay. That brings us to Agenda Item number 7, the information consent items. I've had no requests to pull anything off of consent.

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

BOARD MEMBER JONES: Thank you, Madam President.

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

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

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

The Chair directed staff as follows:

Evaluate the comments provided by Board members regarding the activities of ENGIE and Dubai Islamic Bank
in relation to the requirements of the California Sudan Act; evaluate the 2019 Committee annual calendar to determine if divestment related agenda items can be consolidated; incorporate IC feedback from first reading of the Real Assets Program Policy and return to the IC with updated draft for second reading in November; ensure that Wilshire reflects CalPERS size in the universe comparison report.

The following specifics are on the Corporate Governance report:

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

The Committee heard public comments on the following topics:

CalPERS' commitment to the Responsible Contracting Program; CalPERS team work with respect to
engagement and corporate governance; and CalPERS hiring of its CEO.

At this time, I would like to highlight some --

share some highlights on what to expect at the November Investment Committee meeting:

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

The next meeting of the Investment Committee is scheduled for November 13, 2018 in Sacramento, California. And that concludes my report, Madam President.

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

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

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

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

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

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.
VICE PRESIDENT FECKNER: The Committee received reports on the following topics:
The Committee received an update on the options considered by the Health Plan Administration Division for administering a reference price program, and the CalPERS evaluation of health regions for public agencies and schools; the Committee previewed an online demo of the new CalPERS open enrollment app -- mobile application.
The Committee directed staff to come back in November with more information on a full solicitation for the reference pricing prescription drugs by therapeutic class versus continuing with a pilot program.
The Committee heard public comment on the following topics:
The Long-Term Care Program and the discontinuation of risk adjustment.
At this time, I'd like to share some highlights of what to expect at the November Pension and Health Committee meeting. The Committee will receive an update
on the regions and regional factors for public agencies and schools.

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

That ends my report, Madam Chair.

PRESIDENT MATHUR: Thank you very much.

Ms. Brown.

BOARD MEMBER BROWN: Thank you, Madam Chair.

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

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

Thank you.

PRESIDENT MATHUR: Thank you, Ms. Brown.

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

BOARD MEMBER TAYLOR: Thank you, Madam President.

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

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

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 TAYLOR: I move the Board approve the following:

Agenda Item 6a, approve the final proposed
regulation establishing criteria to define a significant increase in actuarial liability due to increased compensation paid to a non-represented employee as specified in Government Code section 20791.

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 TAYLOR: Thank you.

The Committee received reports on the following topics:

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

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

The Committee heard public comment on the
following topic:

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

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

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

    Thank you, Madam President.

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

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

    BOARD MEMBER SLATON: Thank you, Madam President.

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

    The Committee recommends and I move the Board
approve the following:
Agenda Item 6a, review of 2017-18 performance for the Chief Executive Officer. Approve the fiscal year 2017-18 performance award of $84,873, and a fiscal year 2018-19 base salary of $330,720.

PRESIDENT MATHUR: On motion by Committee.

Any discussion on the motion?

Ms. Hollinger.

BOARD MEMBER HOLLINGER: Oh, no.

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

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 motion passes.

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

So I think the Committee feels we have the right
team here, and that we're very excited about our future going forward in serving our members and retirees.

The Committee heard public comment on the following topic:

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

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

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

PRESIDENT MATHUR: Thank you, Mr. Slaton.

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

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

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

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 HOLLINGER: The Committee received reports on the following topics:

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

The Chair directed staff to:

Revise the Office of Audit Services Charter to reflect the ability of the Chief Auditor to participate in consultive or advisory activities.
At this time, I would like to share some highlights of what to expect at the November Risk and Audit Committee meeting. The independent auditor's report for fiscal years 2017-2018; the review of the independent auditor's management letter; and the finalist selection for the independent financial statement auditor.

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

PRESIDENT MATHUR: Thank you, Ms. Hollinger.

For the next agenda item, the Committee report for the Board Governance Committee, I will call on the Vice Chair, Ms. Hollinger.

BOARD MEMBER HOLLINGER: Thank you.

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

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

Page one, section three, add, "excluding the President and Vice President"; page two, first paragraph, replace "may" with "shall"; and page four, restore "Removal or suspension from a Committee assignment", and
"Revocation of Board member privileges", add "Removal or suspension from leadership roles on committees", and strike, "Temporary termination of a Board member's travel privileges" as repetitive.

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

PRESIDENT MATHUR: On motion by Committee. Any discussion on the motion?

Mr. Jones.

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

PRESIDENT MATHUR: Okay. At the end. Okay. Any discussion on the motion? Seeing none. All those in favor say aye?

(Ayes.)

PRESIDENT MATHUR: All opposed? Motion passes.

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

The process for handling harassment allegations against Board members.

The next meeting of the Board Governance Committee is scheduled for December 18th, 2018 in
Sacramento, California.

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

Mr. Jones.

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

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

BOARD MEMBER JONES: Okay.

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

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

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

VICE PRESIDENT FECKNER: Thank you, Madam Chair.
I move that the Board schedule Agenda Item 9a1 for a full Board hearing as argued by staff.

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

BOARD MEMBER TAYLOR: Second.

PRESIDENT MATHUR: Seconded by Ms. Taylor.

Is there any discussion of the motion?

Seeing none.

All those in favor say aye?

(Ayes.)

PRESIDENT MATHUR: All opposed?

Motion passes.

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

PRESIDENT MATHUR: Is there a second to the motion?

BOARD MEMBER TAYLOR: Second.

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

On the motion. Mr. Miller.
BOARD MEMBER MILLER: Yeah, I would like to ask that we pull number 10 and consider having that -- I guess do I need to make a motion.

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

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

PRESIDENT MATHUR: Yes.

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

Any further discussion on the motion?

Seeing none.

All those in favor say aye?

(Ayes.)

PRESIDENT MATHUR: All opposed?

Motion passes.

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

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

PRESIDENT MATHUR: Is there a second to the motion?

BOARD MEMBER BROWN: Second.

PRESIDENT MATHUR: Motion made by Miller,
seconded by Brown.

Mr. Costigan.

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

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

PRESIDENT MATHUR: But what type of evidence?

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

BOARD MEMBER MILLER: Yeah.

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

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

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

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

Is there any discussion on the motion?

Seeing none.

All those in favor say aye?

(Ayes.)

PRESIDENT MATHUR: All opposed?

Motion passes.

BOARD MEMBER MILLER: Thank you.

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

PRESIDENT MATHUR: Is there a second to the motion?

BOARD MEMBER TAYLOR: Second.

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

Any discussion on the motion?

Seeing none.

All those in favor say aye?

(Ayes.)
PRESIDENT MATHUR: All opposed?
Motion passes.
Okay. That brings us to Agenda Number --
VICE PRESIDENT FECKNER: 9b.
PRESIDENT MATHUR: -- 9b, Petitions for
Reconsideration.
Mr. Feckner.
VICE PRESIDENT FECKNER: I move to deny the
petition for reconsideration of Agenda Item 9b1.
PRESIDENT MATHUR: Is there a second to the
motion?
BOARD MEMBER COSTIGAN: Second.
PRESIDENT MATHUR: Motion made by Feckner,
seconded by Costigan.
Any discussion on the motion?
Seeing none.
All those in favor say aye?
(Ayes.)
PRESIDENT MATHUR: All opposed?
Motion passes.
That brings us to Agenda Item number 10,
Information Items. 10a, Enterprise Performance Reporting.
MS. Hutchins.
(Thereupon an overhead presentation was
presented as follows.)
ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF HUTCHINS: Good morning, Madam President and members of the Board. Sabrina Hutchins, CalPERS team member. Today I'm joined by several of our executive team members to present to you the fourth quarter review of our Enterprise Performance Report.

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

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

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ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF HUTCHINS: Depicted on this slide is a high level visual of our Enterprise Performance Management System, which
involves the development, implementation, monitoring, and reporting, as well as ad hoc refinements of performance metrics in support of our mission.

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

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

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

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

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ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

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

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

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

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

Keep in mind this report is a reflection of data as of June 30th of this year. However, this is a good
example of how we plan to report on topics that are relevant and in the forefront of our strategic priorities;

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

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Good morning, Board members.

PRESIDENT MATHUR: Good morning.

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Marlene Timberlake D'Adamo, CalPERS team member.

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

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

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

The initial focus revealed that the scope of data governance should be further defined. As a result, data stewards were defined, however data owners were still under development. The 2018-19 business plan initiative will broaden the scope and refine data governance functions, identify data owners through development of a data governance policy, and analyze current data governance resource requirement metrics through an enterprise survey. This initiative will be back on target moving forward in quarter one of the new fiscal year.

At this time, I'd like to turn it over to Ted -- oh, I'm sorry. I'm up again.

(Laughter.)

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INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: The next one is funded status. Okay. So as of June 30th, 2018, the projected funded status is 71 percent, which is up from last year's measure of 68 percent. Even with the increase in the funded status, we are still off target.

Over the past few years, we've made strides to strengthen the funded status and ensure the long-term future of the fund, including lowering the discount rate from seven and a half to seven percent, adopting a new
asset allocation, and shortening the amortization period for employers from 30 years to 20 years.

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

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

(Sneeze.)

INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE D'ADAMO: Bless you.

(Laughter.)

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

(Laughter.)

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

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

This strategic measure, the annualized five-year excess investment returns relative to the Total Fund
Policy benchmark is listed at risk in yellow for this measurement period. I think the Board's familiar through all your work on the Investment Committee that this measure measures the effectiveness of the Investment Office in meeting the objective of achieving superior investment performance relative to relevant targets.

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

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

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

Why at risk? We covered this in August. For
this particular five-year period, underperformance relative to the policy benchmarks for our private equity and Real Assets Program underperformed for that five-year period, highlighting some of the challenges that we face identifying appropriate benchmarks for the private asset classes.

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

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

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

Can you continue on to strategic measure -- which one? You just flipped a couple on me. Here we are on the five-year net value-added. This one is the mirror image
of that. It's the same point that the net value-add on
the performance measure fell below our peers and the CEM
measurement data.

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

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

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

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CHIEF INVESTMENT OFFICER ELIOPOULOS: Next.
External manager monitoring expectations and reductions
strategy.
Here, this is in yellow. I'm not concerned about this one at all. We postponed one tactic, tactic 2.2, of this very important work on external manager monitoring. And this one it really was focused on reviewing our efforts with our strategic partners to enhance their governance and protocols regarding ESG implementation.

We decided -- I decided in particular to give Beth Richtman, our new head of Sustainable Investments, a little time to really assess this project. So we just moved it forward to the next -- this next reporting period, so she has some time to assess it and bring back her ideas.

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CHIEF INVESTMENT OFFICER ELIOPOULOS: I thought we had -- is that it?

ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF HUTCHINS: Yep.

(Laughter.)

CHIEF INVESTMENT OFFICER ELIOPOULOS: That concludes my report. I'll pass it on to Liana, and bless you.

(Laughter.)

CHIEF HEALTH DIRECTOR BAILEY-CRIMMINS: We're starting a trend up here.

(Laughter.)
CHIEF INVESTMENT OFFICER ELIOPOULOS: Actually, better watch out on that side.

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

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

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

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

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

ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF HUTCHINS: All right. Unless, there's any questions, that
concludes our report. Our next reporting cycle will be November, which is the first quarter of our second year.

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

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

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

PRESIDENT MATHUR: I don't know.

DEPUTY EXECUTIVE OFFICER PACHECO: Good morning, Madam President and Members of the Board. Brad Pacheco, CalPERS team. I know your agenda lists Mr. Brown, and he is here with us. He joined us last week as our new Chief of our Legislative Affairs Division. We're really happy to have him back. He and I agree that I would do the
close-out of the legislative session one final report, and
then we'll turn the reins over to him and he'll be in
front of you in November.

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

MR. CROWLEY: Thank you.
PRESIDENT MATHUR: Turn on your mic. Good morning, Mr. Crowley.

MR. CROWLEY: Great. Thank you.

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

And at that offsite, we were given a directive to position CalPERS as an opinion leader on policy issues that impact returns to the fund. And I am happy to report
that our efforts to date have largely been successful in that regard. Our goal continues to be to preserve and improve the regulatory reforms that were necessitated by the credit crisis. I did have a policy insight called A Decade Later: Could it Happen Again? And I regret to say we didn't make enough copies for everybody, but I understand they'll be made available to the Board. And if anybody else is interested, it is available on the K&L Gates website.

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

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

We early on in the process objected to a number of the provisions, particularly those having to do with reducing SEC funding or changing the cycle for proxy
voting on executive compensation, efforts to regulate proxy advisors in a counterproductive way, tying the SEC up in knots with cost-benefit analysis, rolling back transparency on private equity.

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

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

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

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

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

She supported the JOBS Act 3.0. And the real -- only real question at this point is whether the Senate runs out of runway, given everything else they've got on their agenda. I expect that that's likely to happen, that they will not have the time to consider the JOBS Act as a stand-alone measure. However a number of the same provisions have been embedded in the Financial Services and General Government Appropriations Bill. And again,
Chairman Shelby, who was Chairman of the Banking Committee is now Chairman of the Appropriations Committee, he may very well agree to put a number of those bipartisan provisions in the final appropriations bill. What gets included I think depends in large part on what the ranking Democrat on the Banking Committee, Sherrod Brown, will agree to. And that could play out either between now and the election in the appropriations process or perhaps even in a lame duck.

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

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

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

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

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

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

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

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

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

But I'd be happy to stop there and respond to any questions.
PRESIDENT MATHUR: Thank you very much for your report, Mr. Crowley.

Ms. Taylor.

BOARD MEMBER TAYLOR: Yes, thank you.

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

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

So we do continue to engage on the regulatory front. Let me answer you by again referring to the alert a decade later could it happen again, because in this piece, we make the point that during the 2016 election, Republicans generally, and President Trump in particular, ran on a platform of repealing and replacing Dodd-Frank.
Clearly, they had the ability do that, controlling both Houses of Congress and someone who would sign their legislation.

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

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

The other thing that it doesn't do is reintegrate the consumer protection function with the bank regulatory
function. The CFPB or the BCFP, whatever they're calling it these days, is here to stay.

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

BOARD MEMBER TAYLOR: Okay. Great. Thank you.

PRESIDENT MATHUR: Thank you very much.

Ms. Paquin.

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

MR. CROWLEY: Yeah, that's a very good question. Quite frankly, what we're seeing, and this relates back to the Board off-site about the desire to see more publicly traded companies is that on the issuer side, led by our friends at the Chamber, the National Association of Manufacturers, the business round table, there is an
unfortunate vilification, if you will, of institutional
investors as the reason why people don't want to go
public. And they blame the proxy voting process. They
blame proxy advisors. They blame ESG. None of which is
accurate, of course.

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

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

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

(Laughter.)

MR. CROWLEY: It's simply and effort to push back
on institutional investors. Now, the proxy roundtable I think is going to be mostly about the plumbing, the voting process, who votes, how is it recorded, that sort of thing. But there will inevitably be a discussion around the role of proxy advisors, and the important role that institutional investors play in corporate governance.

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

ACTING BOARD MEMBER PAQUIN: Thank you.

PRESIDENT MATHUR: Thank you very much.

Any further questions for Mr. Crowley?

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

MR. CROWLEY: Thank you.

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

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

PRESIDENT MATHUR: Yes.

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

I am pleased to report that the Governor has
signed two of the Board's sponsors -- sponsored bills. He
signed into law Assembly Bill 2196 authored by Assembly
Member Cooper, which would -- or which does eliminate
installment payments for service credit purchases into
retirement.

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

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

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

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

There are a couple bills that would affect
CalPERS that still remain on the Governor's desk that
includes Assembly Bill 1912. So this would be the JPA
Bill that we've been talking about during the legislative session. Assembly Bill 1597, that's Assembly Member Nazarian's Bill that would require us to divest from any investment vehicle, issued, owned, controlled managed by the Country of Turkey -- or the government of Turkey.

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

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

So that includes our report.

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

Mr. Costigan.

BOARD MEMBER COSTIGAN: Thank you for the thorough report. I just want to note, I know it's a bill
not we're -- we're not tracking, but does have an impact. Do you have an update on 6 -- SB 656, Moorlach?

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

BOARD MEMBER COSTIGAN: Okay. Thank you.

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

BOARD MEMBER COSTIGAN: Thank you.

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

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

PRESIDENT MATHUR: Okay. Thank you. Any further requests to speak? Seeing none. I thank you very much for your report Mr. Pacheco oh.

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

CHIEF EXECUTIVE OFFICER FROST: I recorded two requests. The first was to determine what and how we can
communicate the decision on the elimination of risk adjustment to interested stakeholders. And then the second is to work with the Governance Chair for a December Agenda Item on the concept of an Inspector General.

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

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

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

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

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

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

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

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

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

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

What is the pleasure of the Board? I'm looking
for a motion and second to meet in closed session.

    BOARD MEMBER COSTIGAN: Move it.

    BOARD MEMBER JONES: Second.

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

Any discussion on the motion?

Seeing none.

All those in favor say aye?

(Ayes.)

    PRESIDENT MATHUR: All opposed?

Motion passes.

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

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

(Thereupon the meeting recessed into closed session.)

(Thereupon the meeting reconvened open session.)

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

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

The Board met in closed session today pursuant to
During the closed session, the Board received and
information security update and cybersecurity briefing on
staff's work to protect the system. The Board took no
action.

That completes the agenda, and we are adjourned.
Thank you, everyone.
(Thereupon the California Public Employees'
Retirement System, Board of Administration
open session meeting adjourned at 11:47 a.m.)
CERTIFICATE OF REPORTER

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