

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

THURSDAY, FEBRUARY 21, 2019
10:31 A.M.

Michelle Marie Wilson, CSR, RPR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 14303

A P P E A R A N C E S

BOARD MEMBERS:

Mr. Henry Jones, President

Ms. Theresa Taylor, Vice President

Ms. Margaret Brown

Mr. Rob Feckner

Ms. Dana Hollinger

Ms. Adria Jenkins-Jones

Ms. Fiona Ma

Mr. David Miller

Mr. Ramon Rubalcava

Mr. Bill Slaton

Mr. Jason Perez

Ms. Betty Yee, represented by Lynn Paquin

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Michael Cohen, Chief, Financial Officer

Mr. Douglas Hoffner, Deputy Executive Officer

Ms. Kara Buchanan, Board Secretary

Ms. Kathy Donneson, Health Plan Administration Division
Chief

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

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

Mr. Matthew Jacobs, General Counsel

Ms. Kim Malm, Chief, Operations Support Services Division

ALSO PRESENT:

Mr. Chirag Shah, Administrative Law Judge Counsel

Mr. Richard Costigan

Mr. Harvey Robinson

Mr. Neil Johnson, SEIU Local 1000

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P R O C E E D I N G S

PRESIDENT JONES: I'd like to call to order the Board of Administration meeting, and the first order of business is roll call, please.

BOARD SECRETARY BUCHANAN: Good morning. Henry Jones?

PRESIDENT JONES: Here.

BOARD SECRETARY BUCHANAN: Theresa Taylor?

VICE PRESIDENT TAYLOR: Here.

BOARD SECRETARY BUCHANAN: Margaret Brown?

BOARD MEMBER BROWN: Morning.

BOARD SECRETARY BUCHANAN: Rob Feckner?

BOARD MEMBER FECKNER: Good morning.

BOARD SECRETARY BUCHANAN: Dana Hollinger?

BOARD MEMBER HOLLINGER: Here.

BOARD SECRETARY BUCHANAN: Adria Jenkins-Jones?

BOARD MEMBER JENKINS-JONES: Here.

BOARD SECRETARY BUCHANAN: Fiona Ma?

BOARD MEMBER MA: Here.

BOARD SECRETARY BUCHANAN: David Miller?

BOARD MEMBER MILLER: Here.

BOARD SECRETARY BUCHANAN: Jason Perez?

BOARD MEMBER PEREZ: Here

BOARD SECRETARY BUCHANAN: Mona Pasquil Rogers?

PRESIDENT JONES: Excused.

1 BOARD SECRETARY BUCHANAN: Ramon Rubalcava?

2 BOARD MEMBER RUBALCAVA: Here.

3 BOARD SECRETARY BUCHANAN: Bill Slaton?

4 BOARD MEMBER SLATON: Here.

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

7 ACTING BOARD MEMBER PAQUIN: Here.

8 PRESIDENT JONES: Okay. Thank you, and I've
9 asked Ms. Paquin to lead us in the Pledge of Allegiance
10 this day.

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

13 PRESIDENT JONES: Thank you. And the next item
14 on the agenda is the approval of the February the 21st
15 Board Administration timed agenda. So do we have a
16 motion?

17 VICE PRESIDENT TAYLOR: Move approval.

18 BOARD MEMBER HOLLINGER: Second.

19 PRESIDENT JONES: Moved by Ms. Taylor, seconded
20 by Ms. Hollinger.

21 All those in favor say aye.

22 (Ayes.)

23 PRESIDENT JONES: Opposed?

24 Hearing none.

25 Item passes. Thank you.

1 The next item on the agenda is the President's
2 report, and I wanted to provide an update on our work
3 with the National Association of Corporate Directors. At
4 our off site, we heard the findings of the Board's
5 self-evaluation process, as well as next steps. For
6 those who may not have attended the off site, I am
7 pleased to share our four areas that the Board intends to
8 focus on in the next year.

9 One, develop Board curriculum to further
10 strengthen our skills and expertise. Two, clarify roles
11 and responsibilities at each level of governance. Three,
12 refine meeting materials to prioritize areas of
13 deliberation; and, four, develop a code of conduct for
14 Board -- for the Board.

15 And I have, based on the interest of various
16 Board members, I've assigned Board members to participate
17 in small working groups, which will conduct the work that
18 is necessary in each of these areas. Periodic updates of
19 our work will be provided as we progress through this
20 project. Additionally, I would like to thank the
21 Governor Newsom for proposing an additional 3 billion in
22 pension contributions to go forward paying down the
23 State's unfunded liabilities.

24 Of course, the proposal still must be approved
25 by the legislature, but we believe this is a prudent

1 commitment on the Governor's part, that will help ensure
2 our long-term sustainability of our fund. We appreciate
3 his support of California Public Employees and Retirees.

4 Next thing I would like to note is -- take a
5 moment of privilege -- or maybe we go with the CEO and
6 then I go to the next item. Okay. Let's get that out of
7 the way.

8 CHIEF EXECUTIVE OFFICER FROST: Okay. Good
9 morning. Thank you, President Jones and Members of the
10 Committee. I'm going to have to modify my talking points
11 here a little bit. I was going to talk about
12 Mr. Costigan, so we can come back to that.

13 PRESIDENT JONES: Is it set up to have the
14 reception for him now? Okay. Well, why don't we do it
15 then. I thought it was delayed that's why, but let me go
16 ahead and recognize Mr. Costigan now.

17 CHIEF EXECUTIVE OFFICER FROST: Thank you.

18 PRESIDENT JONES: I was concerned about the set
19 up in the back. Well, first of all, take a moment to
20 honor and recognize Richard Costigan, who has served on
21 the CalPERS Board of Administration representing State
22 Employees since 2010. As an ex officio member appointed
23 to the Board by the State Personnel Board, Richard left
24 us at the end of December to continue his career as a
25 Senior Director of State and Government Affairs and Mcnat

1 and Phillips.

2 His knowledge and background in Government and
3 Public Policy were invaluable to the bipartisan work
4 needed to ensure a sustainable pension system and quality
5 health care for California's dedicated Public Employees.
6 Richard advanced the important discussion of public
7 pensions and retirement security, while holding CalPERS
8 Employers and State Legislatures to high standards of
9 transparency and accountability.

10 Known for his insightful questions and sometimes
11 we asked him, "Are you finished, Mr. Costigan?" That
12 helped foster dialogue and understand -- understanding
13 among his colleagues, and, most importantly, with CalPERS
14 Members and Employers. He demonstrated dedication and
15 leadership, effective communication, and determination,
16 and strengthening the system that supports California
17 Public Servants.

18 So, Richard, would you join me here on the
19 stage, please? Well, good to see you, Richard. We have
20 a resolution here that's signed by all Board members to
21 present to you for your outstanding services that you
22 provided to this institution and to these great
23 Californians throughout the time you were here. So thank
24 you very much.

25 (Applause.)

1 MR. COSTIGAN: All right. I'll be very short.

2 (Laughter.)

3 MR. COSTIGAN: I actually had some prepared
4 remarks, but I just decided I could just could go
5 without. I just want to say a couple of things. I have
6 been very honored over the life of 22 years to work in
7 public service. I have worked at the highest levels of
8 government as you all know. This is the greatest group
9 of folks I've ever met with, I've ever worked with. I'm
10 not just talking about you all. I'm talking about the
11 folks that do the TV, the folks that answer the phone.

12 I mean, Ben I'm so glad that you're back. I
13 regret that I'm not going to be able to get to work with
14 you. I just want to say, Rob, you don't know how much
15 you meant to me back in 2012 when my father was sick and
16 then passed away and what you guys did for me. I know
17 sometimes I'm a bit of a pain, but I never really got to
18 tell you how much the support of you and the Board in
19 that trying time, because it was a hard time for me not
20 to have any more family, and you all became that.

21 I want to thank Anne Stausboll. I mean, she
22 took me under her wing. Marcie, you've been fantastic
23 for the system. I just want to tell you all, don't get
24 discouraged. I know that often times this organization
25 is under attack. I look at the same -- we won't

1 acknowledge who, I know you, I know your hearts; I know
2 your minds; I know the ethics that you folks have. If
3 folks got to know you the way that I knew you, the hard
4 work that you all do. What I do know, as both a taxpayer
5 and as a retiree, I'm going to talk to you about cola's.
6 Cola's now have a different meaning for me.

7 (Laughter.)

8 MR. COSTIGAN: You are all fantastic; and to the
9 staff at the building, I just can't say it all. I
10 appreciate the opportunity to come back. It has really
11 been hard, eight years of my life here. I certainly hope
12 that I helped all of you out. I apologize if my
13 questions were tough. At the end of the day, it's
14 because we were all trying to serve the same
15 beneficiaries, the same fiduciary, and really take
16 seriously, and I know all of you do as well, that serving
17 our members and make sure that that payment that they
18 receive every month -- now that I receive one, shows up
19 on time and is accurate.

20 (Laughter.)

21 MR. COSTIGAN: So thank you, Henry. I wish you
22 the best of luck. To all of you, I'm not far if you
23 every need anything, but thank you. Thank you very much.

24 (Applause.)

25 PRESIDENT JONES: Okay. We're going to take a

1 break and go out and continue to honor Richard for
2 another 15 minutes.

3 (Laughter.)

4 (Off record: 10:39 a.m.)

5 (Thereupon a recess was taken.)

6 (On record: 10:55 a.m.)

7 PRESIDENT JONES: Okay. We'd like to reconvene
8 the Board meeting, and we're at the agenda item the Chief
9 Executive Officer's report, Ms. Frost.

10 CHIEF EXECUTIVE OFFICER FROST: Round two.

11 PRESIDENT JONES: Yeah.

12 CHIEF EXECUTIVE OFFICER FROST: Thank you,
13 again, President Jones and good morning, everyone,
14 Members of the Board. I'd also like to spend just a
15 couple minutes thanking Richard Costigan for his service,
16 not only to the Board, but really to the CalPERS team,
17 our members, our employers, and numerous stakeholders
18 over the last eight years.

19 During Richard's time with us, we took full
20 advantage of his extensive legislative background. His
21 commitment to transparency, and we really do believe that
22 those have served the members and the stakeholders of
23 CalPERS quite well. His knowledge of public policy and
24 understanding of government processes made him an ideal
25 advocate for many of the important policy changes that we

1 made together over the last two years, and he was a
2 constant source of insight and perspective for me as well
3 as for others.

4 I think we talked a little bit about Richard
5 asking the tough questions, but we knew that he was
6 really trying to initiate thoughtful debate amongst the
7 Board, and he was never shy about asking the tough
8 question and sometime the question that others wanted to
9 ask, but it was, "Let's have Richard ask that question."

10 I can certainly speak firsthand to Richard's
11 passion about his work, and really, you know, he fully
12 understood that duty of loyalty that came from sitting as
13 a trustee of this fund. You never had to doubt his
14 motivation. His motivation was to protect the benefits
15 and to make this fund more sustainable. We will miss
16 Richard, and we certainly wish him well.

17 I also want to take the opportunity to
18 congratulate the newly-elected Committee Chairs for 2019,
19 including Bill Slaton for the Investment Committee,
20 Theresa Taylor for the Finance and Administration
21 Committee, Dana Hollinger for the Risk and Audit
22 Committee, and then Theresa Taylor for the Performance
23 Compensation and Talent Management Committee. So
24 congratulations. We look forward to working with all of
25 you in those respective roles.

1 Just a quick, and I hope Diana is still here.
2 We were able to attract a very top talent here in
3 Sacramento in the health field. As some of you know,
4 Leanna will be on an extended absence due to an illness,
5 and we all wish her well and she is actually doing quite
6 well. But in the meantime, knowing that we have several
7 strategic initiatives that we're working on, we wanted to
8 bring someone in to help with the Health Program.

9 So Diana Dooley, I think she's here still. If
10 she could stand up. Maybe she left us. Okay. She
11 stayed to say "hello" to Richard, and Diana knows Richard
12 as well, but Diana last was the Chief of Staff for
13 Governor Brown and before that was the head of Social and
14 Health Services or Human and Health Services here in
15 Sacramento. So very pleased to have her join the team.
16 She'll work 25 to 30 hours a week between now and the end
17 of June, until we can get Leanna back.

18 So moving on now to investments. What we did in
19 2018, a negative territory, I did announce that at the
20 off site. We did come back strong in January, and
21 February has really turned out to be in our favor so far.
22 As you heard from Ben last month, again, at the off site,
23 his six-month plan calls for us to be laser focused in
24 four key areas. The first is to improve our investment
25 capabilities. The second is leveraging our brand and our

1 size. The third is maintaining a total fund approach,
2 and the fourth is making the most of the advantages that
3 we have as a large investor, such as our long-term
4 investment horizon.

5 So for all the progress we've made to strengthen
6 the fund, we certainly have some challenges ahead of us
7 and some really interesting work to do. But we also have
8 several opportunities working for us, and I know that
9 under Ben's leadership for the Investment Office we will
10 be able to take full advantage of them. So turning now
11 to some outreach and engagement.

12 A few weeks ago, I know JPAs have been a source
13 of some agenda work here before this Board and in the
14 Finance and Administration Committee, but I was able to
15 attend a ceremony for the creation of a new Joint Powers
16 Authority in the Bay Area called the San Mateo
17 Consolidated Fire Department. It represents fire
18 departments from the cities of San Mateo, Foster City,
19 and Belmont. So this new JPA is a CalPERS contracting
20 agency, and it's the first JPA forum following the
21 passage of AB 1912, which is why we were pleased to be
22 invited and to attend the ceremony along with Senator
23 Jerry Hill. This is the first JPA forum since 2012.

24 The new law does ensure that the member agencies
25 in the JPA are ultimately responsible for protecting the

1 pensions of their employees -- of those employees in that
2 JPA, and I know that would be of concern and interest to
3 this Board. So on behalf of all of us at CalPERS, we
4 look forward to a continue, successful partnership with
5 the San Mateo Fire Department.

6 Last week, Ben and I were asked to attend, and
7 so we did, a Joint Legislative Hearing at the Assembly
8 and Senate PERS Committees at the State Capitol to talk
9 about some of the work we do and highlight the priorities
10 over the next twelve months. So we walked through the
11 decisions -- the first part of the presentation was
12 really to walk through the decisions that we've made over
13 the last two years and share the impacts to the employers
14 and the members.

15 And then we had Ben talk about the objectives of
16 the Investment Office and what he saw as the important
17 road map ahead of us over the next five years and that we
18 needed to focus on the long term, and there would be
19 short term disruptions, but our view is really that we
20 had to take a long-term approach to the fund. They did
21 ask a number of important questions about the fund, and
22 we look forward to continuing those conversations with
23 them.

24 Also last week I participated on a panel with
25 the League of California Cities at their City Manager's

1 Conference in San Diego, and I think this is a third time
2 I've been able to present to a number of the cities; and,
3 as I mentioned in my Incentive Plan update yesterday, I
4 think there is an opportunity for the Board to pair up
5 and go out and speak to some of the cities. What the
6 cities and counties and special districts and rural
7 counties and school districts are really asking for is,
8 as we've made these pretty significant policy decisions
9 and understanding that there is impact to the employers,
10 having us to be the ones explaining it to the impacted
11 parties, i.e. the cities, the employers is really helpful
12 for them.

13 So I think there will be opportunities for us to
14 pair up and go out and visit some of our participating
15 employers over the next six months. And, then, next
16 month, I'll be spending time with our own members at the
17 CalPERS Sacramento Benefit Education Event, and I look
18 forward to sharing that with you. I know several of you
19 attend those CBs, as we call them, and look forward to
20 seeing you there as well.

21 So typically I like to close with the investment
22 performance year to date; however, since I already
23 reported those numbers at the off site, as of December
24 31st 2018, I'll concentrate instead on the estimated
25 value of the fund as of the end of January. So at the

1 end of 2018, the fund sat at 337 billion. I think I said
2 that 338 yesterday, but it is 337 billion. And then as
3 of January 31st, 2019 the total fund value was an
4 estimated 351 billion. And this is another reminder why
5 our focus is on the long term. We invest for decades,
6 not one month or certainly one year. So that does
7 conclude my remarks, and I'm happy to take any questions.

8 PRESIDENT JONES: Okay. Thank you, Ms. Frost,
9 and I see no request to ask questions. So we move to the
10 next item on the agenda. It's an Action Consent Item for
11 the Board of Administration meeting minutes and Board
12 travel. Do we have a motion?

13 BOARD MEMBER MILLER: So moved.

14 VICE PRESIDENT TAYLOR: Second.

15 PRESIDENT JONES: Moved by Mr. Miller, second by
16 Ms. Taylor. Oh, okay.

17 So all those in favor say aye.

18 (Ayes.)

19 PRESIDENT JONES: Opposed?

20 Hearing none.

21 The item passes.

22 The next item on the agenda is the consent --
23 Information Consent Items, and I've received no request
24 to pull anything off. So we would move on to Committee
25 reports and actions, and the first one is Investment

1 Committee. For that, I call on the Chair, Mr. Slaton.

2 Hit it again. Hit it again. There you go.

3 BOARD MEMBER SLATON: There we go. All right.

4 Thank you, President Jones. The Investment Committee met
5 on February 19th, 2019. Committee held election for the
6 Investment Committee Chair and Vice Chair. I was elected
7 Chair, and Rob Feckner was elected Vice Chair.

8 The Committee approved Agenda Item 5B, review of
9 the Investment Committee delegation; Item 5C, Contract
10 Administration Assignment of Asset Class and Board
11 Consultant Contracts; Item 6E, Report to the California
12 Legislature on the Holocaust Era and Northern Ireland.

13 Committee received reports on the following
14 topics: CalPERS Trust Level Review and Consultant Report
15 and a Summary of Private Equity Business Models; Chair
16 directed staff to bring back CalPERS Divestment Overview
17 by April; language to clarify support for carbon pricing
18 in the Proposed Revision of the Governance and
19 Sustainability Principles for March; a Private Equity
20 co-investment study and an estimate of the number of
21 times Private Equity Funds transacted with one another
22 over the past year; an overview of roles and purpose of
23 the asset classes; schedule and infrastructure partner to
24 present to the Investment Committee on market
25 opportunities and decision making when appropriate;

1 provide the updated Central Bank Balance Sheet chart from
2 the CalPERS Trust Level Review presentation.

3 The Committee heard public comment on the
4 following topics: Support for and the risk of the
5 Private Equity Business Model, and the risk of the
6 Private Detention Centers.

7 At this time, I'd like to share some highlights
8 of what to expect at the March Investment Committee
9 meeting. The Terminated Agency Pool Rebalance; Staff and
10 Consultant Reports on Sustainable Investments Programs;
11 an update on the Total Fund Governance and Sustainability
12 Strategic Plan; proposed revisions to the Governance and
13 Sustainability Principles; and Corporate Governance
14 update on Proxy Voting, Shareholder Campaigns, and
15 Corporate Engagements.

16 The next meeting of the Investment Committee is
17 scheduled for March 18th, 2019 in Sacramento, California,
18 and that completes my report.

19 PRESIDENT JONES: Thank you, Mr. Slaton. The
20 Pension and Health Benefits Committee did not have a
21 meeting, so, therefore, no report. So we go to the
22 Finance and Administration Committee, and I call on the
23 Chair, Ms. Taylor.

24 VICE PRESIDENT TAYLOR: Thank you, Mr.
25 President. The Finance and Administration Committee met

1 on February 21st, 2019. The Committee conducted an
2 election for the Finance and Administration Committee
3 Chair and Vice Chair. Myself was re-elected as Chair,
4 David Miller, congratulations, was elected as Vice Chair
5 of the Committee.

6 The Committee recommends and I move the Board
7 approve the following: Agenda Item 5B, approve the June
8 30th, 2018 Judges' Retirement System Actuarial Valuation
9 Report and the corresponding transmittal letter to the
10 Governor and the Legislature.

11 PRESIDENT JONES: On motion of Committee, all
12 those in favor say aye.

13 (Ayes.)

14 PRESIDENT JONES: Opposed?

15 Item passes.

16 VICE PRESIDENT TAYLOR: Okay. The Committee
17 recommends and I move the Board approve the following:
18 Agenda Item 5C, The Judges' Retirement System II
19 Actuarial Valuation report as of June 30th, 2018 and the
20 corresponding transmittal letter to the Governor and the
21 Legislature.

22 PRESIDENT JONES: On the motion of the
23 Committee, all those in favor say aye.

24 (Ayes.)

25 PRESIDENT JONES: Opposed?

1 The item passes.

2 VICE PRESIDENT TAYLOR: And then -- Item 5D,
3 approve the June 30th, 2018 Legislators' Retirement
4 System Actuarial Valuation Report and the corresponding
5 transmittal level to the Governor and the Legislature;
6 adopt the Employer Contribution Rate of 35.272 percent
7 for the July 1 period through June 30th, 2020 period, for
8 the Legislators' Retirement System.

9 PRESIDENT JONES: On motion of the Committee,
10 all those in favor say aye.

11 (Ayes.)

12 PRESIDENT JONES: Opposed?

13 The item passes.

14 VICE PRESIDENT TAYLOR: And then finally -- I
15 don't know if that's finally or not. Nope. On Agenda
16 Item 5A, the Committee reviewed the delegation from the
17 Board to the Committee and has recommended changes that
18 will be brought to the Board in April for approval, along
19 with other Committee delegations. So that's -- I move
20 the Board approve Agenda Item 5E. Sorry.

21 PRESIDENT JONES: Okay. On the motion of
22 Committee, all those in favor say aye.

23 (Ayes.)

24 PRESIDENT JONES: Opposed?

25 Hearing none.

1 The item passes.

2 VICE PRESIDENT TAYLOR: Okay. We are on moving
3 approval for Agenda Item 7A, approve the Notice of
4 Election for 2019 CalPERS Board of Administration Retired
5 Member Election. The Chair directed the staff to bring
6 back information on the following topics as well: Online
7 participation two-year comparison; election process,
8 security of online voting. So move the Agenda Item 7A.

9 PRESIDENT JONES: On the motion of Committee,
10 all those in favor say aye.

11 (Ayes.)

12 PRESIDENT JONES: Opposed?

13 BOARD MEMBER BROWN: I had requested to speak.

14 PRESIDENT JONES: Okay. Just a minute,
15 Ms. Hollinger.

16 BOARD MEMBER HOLLINGER: No. No. No.

17 PRESIDENT JONES: Okay. Ms. Brown?

18 BOARD MEMBER BROWN: Thank you. We had a
19 discussion about the notice to put the election out for
20 the retirees, and I think it's important to note that
21 we're putting this notice out without actually having an
22 approved vendor, and we're putting this notice out
23 without having a vendor that actually does online or
24 phone voting; and I think it's premature to be putting
25 out a notice to conduct an election for which there is no

1 vendor to conduct this election, and I know it's an
2 emergency.

3 Ms. Malm gave us a very detailed explanation as
4 to why, but I really don't think we should be putting out
5 this notice until we actually know we have a vendor that
6 can do all this work. Also, Ms. Frost, I really think we
7 should still look at going to the Office of
8 Administrative Law, making that explanation to them that
9 we -- our vendor went bankrupt -- or is having cash flow
10 issues. Excuse me. They haven't bankrupted, and that we
11 don't have a vendor and we should just try to go back to
12 just paper ballots that are safe and secure and count
13 those paper ballots.

14 I know I made that request in Finance and Admin,
15 but I want to make it here to the full Board. Thank you.

16 PRESIDENT JONES: Okay. So we'll repeat.

17 All those in favor say aye.

18 (Ayes.)

19 PRESIDENT JONES: Opposed?

20 BOARD MEMBER BROWN: No.

21 PRESIDENT JONES: One no. Note Ms. Brown is a
22 no, and, for the record, note that during the Finance
23 Committee meeting, which I'm a member, I abstained.

24 VICE PRESIDENT TAYLOR: I'm going to finish. In
25 addition, the Chair directed the staff to bring back

1 information on the SEC Petition and why diversity is
2 important on Corporate Boards.

3 The Committee received reports on the following
4 topics: The Annual Diversity and Inclusion activities,
5 initiatives, programs, and accomplishments; Long-Term
6 Care Valuation.

7 At this time, I'd like to share some highlights
8 of what to expect for the April Finance and
9 Administration Committee meeting. The 2019-'20 Annual
10 Budget Proposal for the first reading. The Annual Review
11 of Board Member Employer Reimbursements; Semi-Annual
12 Health Plan Financial Report; and the Valuation and
13 Employer/Employee Contribution Rates for both State and
14 Schools.

15 The next meeting of Finance and Administration
16 Committee is scheduled for April 16, 2019, in Sacramento,
17 California.

18 PRESIDENT JONES: Thank you, Ms. Taylor. The
19 next item is Performance Compensation and Talent
20 Management Committee, and, for that, I'll call on the
21 Chair, Mrs. Taylor.

22 VICE PRESIDENT TAYLOR: Okay. Thank you, Mr.
23 President. The performance -- I'm sorry. I want to say
24 Finance and Administration. Performance Compensation and
25 Talent Management Committee met on February 20th, 2019.

1 The Committee held an election of the Performance
2 Compensation and Talent Management Committee Chair and
3 Vice Chair. Theresa Taylor and Dana Hollinger were
4 elected respectfully.

5 The Committee recommends and I move the Board
6 approve the following: Agenda Item 8A, the Semi-Annual
7 Status Report on the Incentive Plan of the Chief
8 Executive Officer; approve the Fiscal Year 2018-'19
9 Semi-Annual Status Report of the CEO.

10 PRESIDENT JONES: On motion of the Committee,
11 all those in favor say aye.

12 (Ayes.)

13 PRESIDENT JONES: Opposed?

14 None.

15 The item passes.

16 VICE PRESIDENT TAYLOR: Agenda Item 8B, Salary
17 and Incentive Options For Investment Management
18 Positions; approve the salary and incentive ranges in
19 Option C, with instruction for staff to come back with
20 more information on a long-term incentive plan design.

21 PRESIDENT JONES: On the motion of Committee,
22 all those in favor say aye.

23 (Ayes.)

24 PRESIDENT JONES: Opposed?

25 The item passes.

1 VICE PRESIDENT TAYLOR: I got a "no" from --

2 PRESIDENT JONES: One no?

3 BOARD MEMBER JENKINS-JONES: No.

4 PRESIDENT JONES: Note Ms. Jenkins-Jones as a
5 no.

6 BOARD MEMBER BROWN: Mr. Jones, I'm a "no" too
7 on that. Thank you.

8 PRESIDENT JONES: Also note Ms. Brown as a no.
9 Thank you.

10 VICE PRESIDENT TAYLOR: Okay. The Chair
11 directed the staff to provide the Committee with data
12 requested by the Committee Member Jenkins-Jones.

13 At this time, I'd like to share some highlights
14 of what to expect at the April 2019 Performance
15 Compensation and Talent Management Committee meeting.
16 The Committee will receive additional information on
17 implementation of the selected salary and incentive
18 ranges for Investment Management Positions, including
19 details on the Long-Term Incentive plan design, and the
20 Committee will also receive salary and a set of options
21 for the newly established Chief Health Director position
22 covered by the Board's Compensation Policy for Executive
23 and Investment Management positions.

24 The next meeting of the performance Compensation
25 and Talent Management Committee is scheduled for April

1 16th, 2019, in Sacramento, California. Thank you, Mr.
2 President.

3 PRESIDENT JONES: Okay. Thank you, Ms. Taylor.
4 The next Committee report --

5 DEPUTY EXECUTIVE OFFICER HOFFNER: Mr.
6 President, I just had a quick comment.

7 PRESIDENT JONES: Yes. Yes.

8 DEPUTY EXECUTIVE OFFICER HOFFNER: I want to
9 apologize. We made an omission here. There's an Item
10 6B, which is the Committee delegation, which the Perf.
11 and Comp. Committee approved yesterday. It didn't make
12 it into these notes --

13 VICE PRESIDENT TAYLOR: Oops.

14 DEPUTY EXECUTIVE OFFICER HOFFNER: -- and I want
15 to make sure that gets recognized and ratified by you
16 today.

17 VICE PRESIDENT TAYLOR: Is that an action item?

18 DEPUTY EXECUTIVE OFFICER HOFFNER: Yes.

19 VICE PRESIDENT TAYLOR: 6B?

20 PRESIDENT JONES: Okay.

21 VICE PRESIDENT TAYLOR: I don't have it in front
22 of me. Hold on. I'm not logged on, so just give me a
23 second.

24 DEPUTY EXECUTIVE OFFICER HOFFNER: We can just
25 bring that back in April, so --

1 VICE PRESIDENT TAYLOR: All right.

2 PRESIDENT JONES: Okay. We can do that.

3 VICE PRESIDENT TAYLOR: Thank you.

4 PRESIDENT JONES: Thank you.

5 VICE PRESIDENT TAYLOR: Otherwise I got to read
6 it.

7 PRESIDENT JONES: Okay. Now we move to Risk and
8 Audit Committee. I'll call on the Chair, Ms. Hollinger.

9 BOARD MEMBER HOLLINGER: Thank you very much.

10 (Switches microphone on.)

11 BOARD MEMBER HOLLINGER: Thank you very much.

12 The Risk and Audit Committee met on February 20th, 2019.

13 The Committee held an election for the Risk and Audit
14 Committee Chair and Vice Chair. Dana Hollinger was
15 elected as Chair and David Miller was elected as Vice
16 Chair of the Committee.

17 The Committee recommends and I move the Board
18 approve the following: Agenda Item 6B, Review of the
19 Risk and Audit Committee Delegation; bring the proposed
20 Risk and Audit Committee Delegation Resolution to the
21 Board for approval along with the other Committee
22 Delegations.

23 Agenda Item 7A, Finalist Interviews for the
24 Independent Financial Statement Auditor; approve the
25 Independent Financial Statement Auditor Contract be

1 awarded to Deloitte.

2 PRESIDENT JONES: On the motion of the Committee
3 for Agenda Item 6B and 7A, all those in favor say aye.

4 (Ayes.)

5 PRESIDENT JONES: Opposed?

6 The item -- both item passes.

7 BOARD MEMBER HOLLINGER: The Committee received
8 reports on the following topics: The 2018-'19 Mid-Year
9 Plans For Enterprise Risk Management and Enterprise
10 Compliance. The Chair directed staff to provide
11 information to Margaret Brown regarding the status of
12 open ethics complaints for the month of December 2017.

13 At this time, I would like to share some
14 highlights of what to expect at the June Risk and Audit
15 Committee Meeting. The 2019-2020 plans for Enterprise
16 Risk Management, Enterprise Compliance, and the Office of
17 Audit Services; the Independent Auditors 2019 Annual
18 Plan; Third Party Valuation and Certification of the
19 Contracting Public Agency Plans as of June 30th, 2017;
20 and the Enterprise Risk Management Framework Review.

21 The next meeting of the Risk and Audit Committee
22 is scheduled for June 18th, 2019, in Sacramento,
23 California, and that concludes my report.

24 PRESIDENT JONES: Thank you, Ms. Hollinger.

25 For the next three items that we will be

1 discussing, we have our Administrative Law Judge Counsel
2 Mr. Shah on the phone. Mr. Shah, are you there?

3 MR. SHAH: Yes. Good morning, Mr. President.

4 PRESIDENT JONES: Okay. Thank you. Excuse me.
5 The question is Board Governance, there was no Board
6 Governance Meeting, so there's no report. Thank you,
7 Mr. Miller.

8 For Action Item 9A, I call on Ms. Taylor.

9 VICE PRESIDENT TAYLOR: Thank you, Mr.
10 President. I move to adopt the proposed decisions at
11 Agenda Items 9A1 through 24 as the Board's own decision,
12 with the minor modifications argued by staff to Agenda
13 Items 9A 2, 3, 5, 7, 9, 12, 14, 19, and 23.

14 BOARD MEMBER FECKNER: Second.

15 PRESIDENT JONES: It's been moved by Ms. Taylor,
16 second by Mr. Feckner.

17 All those in favor say aye.

18 (Ayes.)

19 PRESIDENT JONES: Opposed?

20 Seeing none.

21 The item passes.

22 The next item on agenda is 9B.

23 VICE PRESIDENT TAYLOR: Thank you. I move to
24 direct the CalPERS legal office to solicit written
25 comments from the public on whether or not to designate

1 the decision at Agenda Item 9B1 as Precedential Board
2 Decision.

3 BOARD MEMBER MILLER: Second.

4 PRESIDENT JONES: It's been moved by Ms. Taylor,
5 second by Mr. Miller.

6 All those in favor say aye.

7 (Ayes.)

8 PRESIDENT JONES: Opposed?

9 The item passes.

10 Now we move to Item 9C for Board Hearing
11 Decision, Ms. Taylor.

12 VICE PRESIDENT TAYLOR: I move to adopt the full
13 Board Hearing Decision as presented at Agenda Item 9C, in
14 the consolidated appeals of Mark L. Wheeler, Thomas R.
15 Valdez, John M. Lopez, Larry Blackwell, and Gary Cohoe as
16 the Board's final decision.

17 BOARD MEMBER FECKNER: Second.

18 PRESIDENT JONES: Moved by Ms. Taylor, second by
19 Mr. Feckner.

20 All those in favor say aye.

21 (Ayes.)

22 PRESIDENT JONES: Opposed?

23 The item passes.

24 Thank you very much, Ms. Taylor. We now move to
25 information agenda items, Ms. Hutchins, I think.

1 Thank you, Mr. Shah. He's gone already. Okay.

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

4 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

5 HUTCHINS: All right. Good morning. Good morning, Mr.
6 President and Members of the Board. Sabrina Hutchins,
7 CalPERS team member. Today I'm joined by members of our
8 executive and senior team to present to you the second
9 quarter review of our Enterprise Performance Report.
10 This report represents the second year reporting cycle of
11 our current '17 through '22 Strategic Plan.

12 What we want to share with you today will be
13 focused on the indicators in this quarter that are either
14 at-risk of off target, and we also want to highlight the
15 work that we have planned for the '19-'20 business cycle.

16 --o0o--

17 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

18 HUTCHINS: A little background before we jump in. The
19 framework that this system works within aligns back to
20 our foundation, which outlines our mission, our vision,
21 and our values, and, in the simplest terms, represents
22 who we are and what we want to achieve. This includes
23 our Strategic Plan goals and objectives, as well as our
24 outcome measures, which highlight our high level
25 operational expectations.

--o0o--

ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

HUTCHINS: This slide gives you a high level visual of the Enterprise Performance Management System, which involves a development implementation, monitoring and reporting, and ad hoc refinement of performance metrics that support 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 system does incorporate a significant amount of data and information, and we have provided you with the full details of the Strategic and Operational Reports within your agenda item attachments; however, the focus of our discussion here this morning is on the strategic side of the house.

--o0o--

ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

HUTCHINS: The Strategic Plan Alignment Map shows you the high level connection between our goals, objectives, measures, and initiatives. This is Attachment A within your package. This map reflects an overlay of status indicators of red, yellow, and green, and additional details for each of these can be found in Attachment C and D. This is an iterative process, so we've also

1 denoted where we are either waiting for data to come in,
2 or where measures are currently under development.

3 --o0o--

4 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

5 HUTCHINS: So our review and analysis of second quarter
6 information identified that four of our measures
7 refreshed with new data. Those that are on target are
8 related to the overuse of imaging for back pain, and our
9 Employee Engagement Results related to Diversity and
10 Inclusion, as you heard earlier this morning, as well as
11 accountability. These are in the green.

12 And we're going to speak to the at-risk measure
13 in just a moment. For our 34 Business Plan Initiatives,
14 the majority are in the green; two are reflecting
15 off-target, which we'll speak to next; two of our
16 Business Plan Initiatives completed. These are related
17 to the redesign of our Actuarial Valuation System, as
18 well as phase two for our Enterprise Business Continuity
19 Planning. You will also have an update related to
20 indicators of our Information Security Office presented
21 within closed session today.

22 So as members of our executive and senior team
23 speak to things that are at risk, they're going to
24 provide you the root cause for the status, as well as
25 constraints and mitigation strategies currently underway.

1 Keep in mind this is a report of a reflection as of
2 December 31st, and also of those things that are relevant
3 in the forefront of our strategic priorities.

4 So with that I'm going to hand this over to
5 Kathy to start us off in the Health Care Affordability
6 Goal.

7 --o0o--

8 HEALTH PLAN ADMINISTRATION DIVISION CHIEF

9 DONNESON: Good morning. Kathy Donneson, CalPERS team
10 member. The Pharmacy Benefit Management Reference
11 Pricing Pilot is off-track, due to the Board's direction
12 in November to have us do a full program solicitation.
13 We have submitted a change request form in January, which
14 was approved, and we are -- will be updating for your
15 next quarter report, the new deliverables, and timeline
16 that will show us back on track. Thank you.

17 --o0o--

18 DEPUTY EXECUTIVE OFFICER HOFFNER: Thank you,
19 Kathy. Doug Hoffner, team member. Two items to discuss
20 today. We've just finished the recent Second Year
21 Engagement Survey with the team members of CalPERS. As
22 you can see here, we're going to focus on the survey
23 results related to Senior and Executive Management
24 relationships. There's sort of three categories. We're
25 currently identified in the average performance category.

1 We target ourself with baseline to get to high
2 performance, and we're about five percentage points away
3 from that at this point.

4 As we have just recently completed the survey
5 results, we're basically communicating that information
6 out to the team. We're taking the feed back that we have
7 received from them, looking to refine that and really
8 engage with the team members across the organization.
9 Given we only had one year of baseline data, it gives us
10 a better idea since we kind of stayed superably static in
11 this last year.

12 I want to highlight the fact it's not referenced
13 here, I mean, Sabrina made a little bit of a comment is,
14 as the organization as a whole, we're in the top quartile
15 of the survey group McLean and Company, which is the
16 survey provider we used, provides in their survey
17 database. In addition, the other major focus area was
18 accountability, and we saw ten percent increase in that.
19 Went from average performing to high performing this last
20 year.

21 So more work to be done, and we'll continue to
22 provide feed back to you, as well as the team members.
23 This relates to the work we're doing, really to help
24 engage them within this organization. I'd also
25 highlight, while not identified, is the Division and

1 Management Level Engagement also increased in the same
2 time period. So we're working through those
3 opportunities for improvement. Happy to answer questions
4 on that.

5 Second piece is related to a business plan
6 initiative on developing leadership competencies and a
7 measurement tool. The competencies have been developed
8 and have been rolled out to all team members at the
9 leadership level, as well as competencies for all team
10 members across the organization. This is really focusing
11 on the tool to make it an automative effort.

12 We've recently finished a procurement for Human
13 Resource Management Tool. We're still in contract
14 negotiations and should be hopefully complete with that
15 phase later this week, but that's having an impact on
16 this tool. We'd want to realign that timeline and
17 baseline for this, once we get to completion of that
18 project; and we'll have more information on that as we
19 proceed this next year. Happy to answer questions.

20 PRESIDENT JONES: No questions.

21 DEPUTY EXECUTIVE OFFICER HOFFNER: Very good.
22 Thank you.

23 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
24 HUTCHINS: Very good. So the second piece of this is the
25 Business Plan Update, and we really just want to bring

1 your attention to the projects that we'll be working on
2 for the '19-'20 business cycle. So each year the
3 leadership team takes a look at our plate of work to make
4 sure that we're moving the needle related to our
5 Strategic Plan goals and priorities. The initiatives are
6 outlined for you in Attachment F, all of which will be
7 conducted with existing resources or funding that was
8 requested through our prior budget cycle.

9 Many of these initiatives have been outlined as
10 multiyear initiatives, with new deliverables or phases
11 that are completed each year. We do have two initiatives
12 planned. One is within the Health Area, focused on
13 stakeholder outreach and awareness of Wellness and
14 Disease Management Programs, and one titled, Improving
15 Board Incites. This is something you heard about at the
16 January off site, and the focus here is to establish a
17 new platform that improves the process of providing you,
18 our Board, with relevant and easily accessible
19 information.

20 In closing, our Third Quarter Report is due in
21 May, and we are happy to take any other questions.

22 PRESIDENT JONES: Okay. Thank you for the
23 report. I see no questions from Board members.

24 So we move onto the next item on the agenda,
25 State and Federal Legislation update, Mr. Brown.

1 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Good
2 morning, Mr. President and Board members. Danny Brown,
3 CalPERS team member. I'm going to start off with the
4 State Legislation of the bill introduction deadline is
5 tomorrow, and as you can probably see from your bill list
6 in your agenda item, we're still fairly light. Only a
7 handful of Pension Bills and handful of Health Bills that
8 we're tracking. Based on my count this morning, they
9 introduced just under 1,400 bills, so it's possible that
10 another thousand get introduced today and tomorrow. So
11 hopefully next month the list will be more robust, and we
12 can have a conversation about the bills on our plate for
13 this year.

14 I can report that our -- one of our sponsored
15 bills, AB 672, was recently introduced by Assemblywoman
16 Cervantes. This is the bill that deals with individuals
17 that go out on a disability retirement and want to return
18 to work as a retired annuitant. Our Housekeeping Bill,
19 our second sponsored bill, will be a Senate Committee
20 Bill, so that will probably be introduced later this
21 month. It may be even in March because the deadline does
22 not apply to Committee bills.

23 While we've been waiting for bills to be
24 introduced, though, we have stayed busy. As Marcie
25 mentioned, her and Ben participated in a joint

1 informational hearing for the Assembly Public Employment
2 and Retirement Committee and the Senate Labor Public
3 Employment and Retirement Committee. One thing that I
4 would add is that one of the comments that many of the
5 members made at that hearing was that the investment
6 experts at CalPERS and CalSTRS should be left to invest,
7 and they shouldn't interfere with them. So we'll see how
8 that plays out for when bills actually come for -- in
9 front of them to vote, but it was encouraging that they
10 did say that.

11 We have also been taking Marcie around to meet
12 the new members of the Committees and other key members
13 of the Legislature, and those meetings will continue
14 throughout the month of March. Next week, we'll also be
15 participating in a couple hearings, as part of a Senate
16 Health Committee hearing.

17 Kathy Donneson will be participating on a panel,
18 discussing contract strategies to improve chronic
19 disease, and also next week John Rothfield will be
20 providing an overview of global and the U.S. Economy to
21 the Assembly Committee on jobs, economic development, and
22 the economy; and while that Committee does not have
23 jurisdiction over CalPERS issues, it is a great
24 opportunity to kind of show off our CalPERS experts and
25 some of the analysis that goes into our investment

1 decisions.

2 Now I'm going to kind of move into the Federal
3 update, and you'll see that it's very parallel to the
4 State update in that we're kind of waiting for bills to
5 be introduced. During that time, though, we are
6 monitoring a number of hearings that are going on.
7 There's a number of hearings on retirement security, and
8 as I've mentioned at the Board off site, we do anticipate
9 a number of bills being introduced on a bipartisan basis
10 around retirement security; however, most of those bills
11 will really be dealing with Individual and Private Sector
12 Plans, but we will be watching those and monitoring them
13 and engaging as needed with our association groups and
14 mainly watching for things that may negatively impact us
15 like PEPTA.

16 We do expect representatives Neal and Brady to
17 reintroduce their WEP Bill, which would change the
18 formula to calculate the WEP reduction for those that are
19 in Social Security and earning a pension that is not
20 coordinated with Social Security. Once that bill is
21 introduced, we will have a fact sheet ready that we can
22 provide you to provide a little bit more detail about
23 that bill.

24 On the health front, there's been a number of
25 hearings on pre-existing conditions and prescription drug

1 costs, as well as we expect things coming forward around
2 Medicare for All, which, depending on who you talk to,
3 means a lot of difference things. So part of those
4 hearings we'll be kind of looking at what exactly
5 Medicare for All means. We do expect there's going to be
6 bills that will be single payer, which would eliminate
7 private insurers. There will be discussions about
8 putting everybody into Medicare. There will be
9 discussions about putting those over the age of 50 into
10 Medicare. There will be those putting Public Sector
11 Employees that are in a law enforcement positions into
12 Medicare.

13 So there's a wide rage of proposals out there
14 that will be discussed over probably the next two years.
15 And then on the investment side, we do expect Chairwoman
16 Waters to introduce some Capital Market Reform
17 Legislation, as well as Senate 488 that we supported last
18 year. We expect many of those provisions to come forward
19 as either an individual bills or into another packet.

20 So we're also hoping for a couple of
21 opportunities to participate in some Congressional
22 hearings, either on the health side, prescription drugs,
23 or investment side. And, then, finally, we are going
24 around and meeting with key members of the Congressional
25 Delegation, as well as key Committees. We've had a

1 number of meetings last month. We'll continue to have
2 meetings this month and into March and hopefully have
3 many of our initial meetings done at the end of March.

4 And with that, I will stop and answer any
5 questions that you may have.

6 PRESIDENT JONES: Well, see no requests for
7 questions. So thank you, Mr. Brown, for your report.

8 The next item is Summary of Direction. I guess
9 it's --

10 CHIEF FINANCIAL OFFICER COHEN: It's me. I
11 don't have anything, President Jones, unless I missed
12 anything.

13 PRESIDENT JONES: Yeah. No. The only thing I
14 would just like to remind you of is that last year --
15 calendar year we had requested a discussion of exploring
16 the hiring of an Inspector General at the Board
17 Governance Committee. So I just want to remind you that
18 that was a previous request.

19 CHIEF FINANCIAL OFFICER COHEN: Got ya. I will
20 follow up on that for you.

21 PRESIDENT JONES: Okay. Thank you very much.

22 Public comment. We have one person request to
23 speak twice, but you have three minutes, Mr. Harvey
24 Robinson, to cover whatever you want, but you can't have
25 three minutes for all these different items. So your

1 total is three minutes. So if you can come forward. And
2 then we have Neil Johnson from SEIU. Yes. Go ahead.

3 MR. ROBINSON: Good morning. My name is Harvey
4 Robinson. I'm a director of health benefits for the
5 Retired Public Employees Association, RPEA.

6 The first comment I wish to make is regarding
7 the class action lawsuit Sanchez versus CalPERS.
8 Recently, at the CalPERS off site in Rohnert Park in
9 closed session, received a briefing on the lawsuit
10 Sanchez versus CalPERS. The following is designed to
11 bring additional edification to the lawsuit. As a 29
12 year CalPERS employee, I was employed by the office of --
13 CalPERS Office of Long-Term Care, between October 1995
14 through my retirement September 13, 2001.

15 In that employment and as a retired annuitant, I
16 made over a hundred CalPERS Long-Term Care presentation.
17 The PERL indicated in part that the CalPERS Board is
18 responsible for approving marketing material. In the
19 marketing material, was an outline of coverage, OOC. In
20 the OOC, there was a graph showing a horizontal line over
21 a progressive timeline. Under the graph, was a statement
22 that premiums are designed to remain level.

23 CalPERS staff has indicated that should the
24 Plaintiffs succeed in their suit, any award will come
25 from increased premiums. The attorney for some 126,000

1 class action members found this response ludicrous. In
2 associated matter, the Plaintiffs -- the plans initial
3 actuary towers here paying \$65 to each of the Plaintiffs.
4 What has occurred here for many CalPERS members, in
5 addition to the conviction of a previous CEO, is a breach
6 of trust with CalPERS. Thank you.

7 PRESIDENT JONES: Thank you, Mr. Harvey.
8 Mr. Johnson?

9 MR. JOHNSON: Neil Johnson, SEIU Local 1000.
10 First a moment of personal privilege. Good to see you,
11 Mr. Ruffino. I am actually, I think, pleased with
12 Ms. Donneson's comment a few minutes ago about the
13 pharmacy benefit. Hopefully she's referring to the
14 reference pricing model getting back on track. It's been
15 our position that this is an important project, and it
16 needs to go forward. Unfortunately, because there was no
17 Pension Health Benefits Committee meeting this month, we
18 didn't get to weigh in on that forum. But we really
19 encourage you to move towards the proposal process to
20 move that forward, so that we could start reaping the
21 benefits.

22 Finally, I want to thank -- unfortunately, he's
23 already departed, but Mr. Costigan for his many years of
24 service to this organization, as well as his service to
25 the State Personnel Board. Richard, while I didn't

1 always agree with his positions, I found him to really
2 look out at the interest of the organizations and the
3 beneficiaries thereof. He used a lot of judgment; he
4 really demanded some discipline of this organization and
5 its decision making, and I thank him for that. And,
6 Richard, I wish you the best of luck in your future
7 endeavors, and thank you for your service to this
8 organization.

9 PRESIDENT JONES: Thank you very much for your
10 comments.

11 We now move to Agenda Item 11, and this
12 afternoon we have this one item in closed session, an
13 Informational Security Update and Cyber Security Briefing
14 involving staff's work to protect the system. In order
15 to hold a closed session to consider matters posing a
16 potential threat of criminal activity against CalPERS
17 property or equipment, including electronic data and
18 where disclosure would compromise CalPERS security, the
19 Bagley-Keene Open Meeting Act requires at least
20 two-thirds of the Board to affirmatively vote in order to
21 utilize this exception.

22 So based on the consultation with our legal
23 office, discussions concerning CalPERS Information
24 Security and Cyber Security qualifies for this closed
25 session exception. After the closed session, the Board

1 will briefly report out open session -- to in open
2 session that we met under this exception and any action
3 was taken.

4 What's the pleasure of the Board? I'm looking
5 for a motion and a second to meeting closed session for
6 this information.

7 VICE PRESIDENT TAYLOR: I move.

8 PRESIDENT JONES: Moved by Ms. Taylor.

9 BOARD MEMBER SLATON: Second.

10 PRESIDENT JONES: Second by Mr. --

11 VICE PRESIDENT TAYLOR: Slaton.

12 PRESIDENT JONES: Slaton. Okay. So then after
13 -- all those in favor say aye.

14 (Ayes.)

15 PRESIDENT JONES: Opposed?

16 Hearing none.

17 So given that, we will move into closed session.
18 So -- yes, Mr. Harvey?

19 MR. ROBINSON: I had a total of four separate
20 items I wanted to comment on. So I just finished with
21 the first one.

22 PRESIDENT JONES: Well, Mr. Harvey, you didn't
23 hear my comments when I said that you can't get three
24 minutes for all those items? You had a total of three
25 minutes to address all your items. So I did notice you

1 didn't take the full three, so I'll give you another two
2 minutes to finish your comments.

3 MR. ROBINSON: Thank you.

4 PRESIDENT JONES: Okay.

5 MR. ROBINSON: And I'll proceed one after the
6 other.

7 PRESIDENT JONES: But remember you have two
8 minutes. Proceed.

9 MR. ROBINSON: I'm looking at the clock.

10 PRESIDENT JONES: Okay.

11 MR. ROBINSON: The second item has to do with
12 RPEA requests the Board directs staff that future
13 Stakeholder Meetings that all health carriers and OptumRX
14 be present. Issues that could impact all stakeholders
15 could arise. At the last Stakeholder Meeting, only
16 Anthem was present.

17 Moving on to the third item. Request carrier
18 assistance for RPEA. RPEA requests the Board direct that
19 health carriers to provide additional counseling
20 assistance to its members that were impacted by Cal fires
21 and other recent California fires. In the Camp Fire,
22 almost 14,000 residents and over 500 businesses were
23 destroyed. We appreciate the efforts that CalPERS has
24 extended to its members in this matter, but due to the
25 nature of the matter, many are suffering from PTSD and

1 require additional assistance.

2 My last comment and it's being made as a private
3 citizen, not as an RPEA member. And so this has to do
4 with CalPERS investment in marijuana. The following is
5 being presented as CalPERS retired annuitant and private
6 citizen, not as a represent of RPEA and is presented in
7 the interest of transparency.

8 The February 15th issue indicated that CalPERS
9 had increased its interest in Canadian Marijuana Stock,
10 whose market value now approaches 500,000. Although
11 CalPERS can no longer invest in Tobacco Stock, I realize
12 there is a need to increase the funding in the PERS;
13 however, the long-term health effects or Marijuana are
14 still not known, and stoners are known to be involved in
15 DWI's and accidents. Thank you.

16 PRESIDENT JONES: Thank you, Mr. Robinson. And
17 regarding the question about meeting with the health care
18 providers ask staff to have that discussion with the
19 retirees and see how we could accomplish to some degree
20 the goal of having those health providers meet with
21 retirees. Thank you.

22 Okay. Thank you. So we now will move into
23 closed session, so we'll give you a few minutes to clear
24 the auditorium.

25 (Off record: 11:43 a.m.)

1 (Thereupon the meeting recessed into closed
2 session.)

3 (Thereupon the meeting reconvened open session.)

4 (On record: 12:34 p.m.)

5 PRESIDENT JONES: The Board met in closed
6 session. The Government Code Section 11126 (c)(18)(A).
7 During the closed session, the Board received an
8 Information Security Update and Cyber Security Briefing
9 on staff's work to protect the system. The Board took no
10 action. This meeting is adjourned.

11 (Thereupon the California Public Employees'
12 Retirement System, Board of Administration
13 open session meeting adjourned at 12:35 p.m.)
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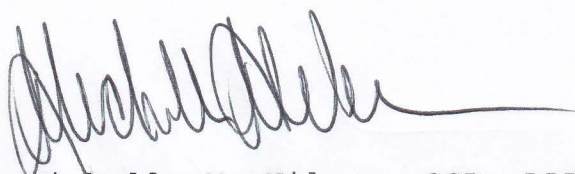
C E R T I F I C A T E O F R E P O R T E R

I, MICHELLE M. WILSON, a Certified Shorthand Reporter, 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, Michelle M. Wilson, a Certified Shorthand Reporter, and 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 25th day of February, 2019.

A handwritten signature in black ink, appearing to read "Michelle M. Wilson", with a long horizontal flourish extending to the right.

Michelle M. Wilson, CSR, RPR
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