

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

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

WEDNESDAY, MARCH 20, 2019

9:00 A.M.

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

A P P E A R A N C E S

BOARD MEMBERS:

Mr. Henry Jones, President

Ms. Theresa Taylor, Vice President

Ms. Margaret Brown

Mr. Rob Feckner

Ms. Dana Hollinger

Ms. Fiona Ma, represented by Mr. Mark Ruffino

Mr. David Miller

Ms. Eraina Ortega, represented by Ms. Adria Jenkins-Jones

Ms. Mona Pasquil Rogers

Mr. Jason Perez

Mr. Ramon Rubalcava

Mr. Bill Slaton

Ms. Betty Yee, represented by Ms. Lynn Paquin

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Ms. Liana Bailey-Crimmins, Chief Health Director

Mr. Michael Cohen, Chief Financial Officer

Mr. Christian Farland, Chief Information Officer

Mr. Douglas Hoffner, Deputy Executive Officer

Mr. Matthew Jacobs, General Counsel

Ms. Donna Lum, Deputy Executive Officer

Dr. Ben Meng, Chief Investment Officer

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

STAFF:

Mr. Brad Pacheco, Deputy Executive Officer

Mr. Scott Terando, Chief Actuary

Ms. Marlene Timberlake D'Adamo, Chief Compliance Officer

Mr. Danny Brown, Chief, Legislative Affairs Division

Ms. Cara Buchanan, Board Secretary

Ms. Kimberly Malm, Chief, Operations Support Services
Division

ALSO PRESENT

Mr. Chirag Shah, Chirag Shah & Associates
(via teleconference)

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P R O C E E D I N G S

1
2 PRESIDENT JONES: I'd like to call the Board of
3 Administration meeting to order. And the first order of
4 business is roll call, please.

5 Sorry.

6 BOARD SECRETARY BUCHANAN: Good morning.

7 Henry Jones?

8 PRESIDENT JONES: Here.

9 BOARD SECRETARY BUCHANAN: Theresa Taylor?

10 VICE PRESIDENT TAYLOR: Good morning.

11 BOARD SECRETARY BUCHANAN: Margaret Brown?

12 BOARD MEMBER BROWN: Here.

13 BOARD SECRETARY BUCHANAN: Rob Feckner?

14 BOARD MEMBER FECKNER: Good morning.

15 BOARD SECRETARY BUCHANAN: Dana Hollinger?

16 BOARD MEMBER HOLLINGER: Here.

17 BOARD SECRETARY BUCHANAN: Frank Ruffino for
18 Treasurer Ma.

19 ACTING BOARD MEMBER RUFFINO: Good morning.

20 BOARD SECRETARY BUCHANAN: David Miller?

21 BOARD MEMBER MILLER: Here.

22 BOARD SECRETARY BUCHANAN: Adria Jenkins-Jones or
23 Eraina Ortega?

24 ACTING BOARD MEMBER JENKINS-JONES: Here.

25 BOARD SECRETARY BUCHANAN: Jason Perez?

1 BOARD MEMBER PEREZ: Here.

2 BOARD SECRETARY BUCHANAN: Mona Pasquil Rogers?

3 BOARD MEMBER PASQUIL ROGERS: Here.

4 BOARD SECRETARY BUCHANAN: Ramon Rubalcava?

5 BOARD MEMBER RUBALCAVA: Good morning. Here.

6 BOARD SECRETARY BUCHANAN: Bill Slaton?

7 BOARD MEMBER SLATON: Here.

8 BOARD SECRETARY BUCHANAN: And Lynn Paquin for
9 Betty Yee?

10 ACTING BOARD MEMBER PAQUIN: Here.

11 PRESIDENT JONES: Okay. Thank you.

12 The next item is approval of the March 20 Board
13 of Administration timed agenda. So do we have a motion.

14 VICE PRESIDENT TAYLOR: Move approval.

15 PRESIDENT JONES: Moved by Ms. Taylor.

16 BOARD MEMBER HOLLINGER: Second.

17 PRESIDENT JONES: Seconded by Ms. Hollinger.

18 All those in favor say aye?

19 (Ayes.)

20 PRESIDENT JONES: Opposed?

21 Hearing none.

22 The item passes.

23 The next eye, Pledge of Allegiance. And I've
24 asked Ms. Taylor to lead us in the Pledge.

25 (Thereupon the Pledge of Allegiance was

1 Recited in unison.)

2 PRESIDENT JONES: Thank you.

3 We've had two committees elect their chairs this
4 past -- this week, and we want to congratulate Mr. Feckner
5 for Chair of the Pension and Health Benefits Committee and
6 Mr. Rubalcava as the Vice Chair. Also, congrat -- I'd
7 like to congratulate Dana Hollinger as Vice Chair of the
8 Board Governance Committee. And, in addition, I was
9 elected as Chair.

10 On Monday, the Board approved the next phase of
11 CalPERS's proposed expansion of Private Equity Program.
12 We have now signaled to the market that our investment
13 team has this Board's support to identify the right
14 partners and move forward with negotiations for the two
15 models we have been discussing for the past 18 months.

16 And this is important, because as we know,
17 private equity has been CalPERS's best performing asset
18 class over the last 20 years with a 10.5 percent annual
19 return. We appreciate our Investment Office's work over
20 the past year and a half and their continued effort.

21 I want to sincerely thank my fellow Board members
22 and all stakeholders for their thoughtful comments and
23 questions. The fact that everyone is so engaged and
24 willing to ask questions or appear before the Board and
25 discuss the issue, speaks to how much we all care about

1 CalPERS's mission on behalf of California's public workers
2 and retirees. We look forward to the quarterly updates
3 from our Investment Office.

4 You may have read recently about the Supreme
5 Court upholding a decision by former Governor Jerry Brown
6 and the Legislature to end the practice of allowing public
7 employees to purchase up to five years of service credit,
8 or airtime. We have received questions from members and
9 retirees if this has any impact on them?

10 The ruling has no impact on our members, whether
11 you're retired, or whether you're still working. If you
12 purchase airtime before the PEPRA took -- before PEPRA
13 effect in 2013, it has no impact on you.

14 For CalPERS, it's business as usual. We stopped
15 offering airtime when the law went into effect six years
16 ago. However, we continue to allow the purchase of
17 service credit for leave of absence, military service,
18 redeposit or withdrawn contributions, and service prior to
19 membership.

20 In closing, I would like to acknowledge that it's
21 Women's History Month, a time each year we celebrate the
22 contribution of women in history and society. We've had
23 some very extraordinary women serve on this Board and on
24 the leadership team at CalPERS. I'm proud to say for the
25 first time that I can recall while serving on this Board,

1 we have a majority of women on this Board.

2 I also want to recognize our CEO Marcie Frost for
3 the significant contribution she has brought to our
4 organization in the short time that she has been here.

5 Thank you all and we hope that it's all a better
6 place as a result of that. So with that, that concludes
7 my remarks, and I'll turn it over to Ms. Frost.

8 CHIEF EXECUTIVE OFFICER FROST: Thank you.

9 Good morning, members of the Board. Thank you,
10 President Jones. I wanted to start a little bit with
11 investments. And, as you know, our investment return
12 assumption is probably the most critical assumption we use
13 in calculating our future liabilities. And so each asset
14 class does play a vital role in being able to hit our
15 return target. One of the items that we talked about
16 yesterday was the Board self-evaluation, and the need for
17 onboarding and continued education.

18 And so what you will see in the Investment
19 Committee over the next year is we will be bringing
20 forward workshops around the various roles of the asset
21 classes, and we'll have each of our Managing Investment
22 Directors over those asset classes come and talk to the
23 Board about strategy for that class, and essentially how
24 does that class make money for the fund and for the
25 members. So watch for that over the next year.

1 Next year -- or next month, we actually will have
2 Ben do a workshop. And that workshop will be more related
3 to Pillar 2 around co-investments. So this is the plan
4 that he and the team said they would bring back to the
5 Board and to the Committee. And we'll start doing that in
6 April.

7 But as Ben has also emphasized, every tool is
8 necessary in order to hit our seven percent return target.
9 So the team and I also want to thank the Board for the
10 decision that was made on Monday to be able to allow us to
11 move forward with the concept and see if we can actually
12 execute on that concept in the market.

13 I have absolute confidence in Ben, and I know you
14 do as well, and trust his professional judgment. And what
15 I've been saying to people is if anyone can execute on the
16 new concept and innovation, it's Ben Meng, our new CIO.

17 Also, in Monday's Investment Committee, you
18 received an annual update from our Sustainable Investments
19 team. They did outline their process and progress with
20 the initiatives in the five-year ESG plan, and also
21 highlighted the results of our core engagement work.

22 I can't really emphasize enough the importance of
23 valuable data that the initiatives are using to develop
24 our strategy. And the more that we can actually find the
25 data to measure the impact of our work around environment,

1 social, and governance issues, we know that by minimizing
2 risk, we can actually have a better chance of improving
3 our return.

4 Turning now to some outreach and engagement.
5 Earlier this month, we did hold another CalPERS Benefit
6 Education Event. This one was held here in Sacramento. I
7 know several of you were able to attend that event.

8 As I've been able to do at some of the other,
9 what call, CBEEs, the Califor -- or the CalPERS Benefit
10 Education Events, I was able to talk with several members
11 about the work that we are doing here at CalPERS to
12 further strengthen the fund and to make the system more
13 sustainable.

14 The number one question remains the same, is my
15 benefit safe, and are we paying attention to making sure
16 that we're making the right decisions to ensure the safety
17 of that benefit ongoing?

18 I always appreciate the opportunity to interact
19 with our members, being able to address their questions,
20 and hopefully be able to give them -- make them feel a
21 little less anxiety about the future. So our next CBEE
22 event will take place just a couple days from now on
23 Friday and Saturday in Eureka.

24 I've also started meeting with several of
25 California's business leaders and groups in the last month

1 to enhance their understanding of the work that we're
2 doing at CalPERS, and we could potentially build
3 partnerships over the long term.

4 One of those meetings was with the Silicon Valley
5 Leadership Group. And we discussed the fiscal health of
6 the System and the importance of investing in areas like
7 biotech, life sciences, and health care.

8 I also met with two other groups of business
9 leaders from the California Business Roundtable, which is
10 comprised of leaders from major corporations in the state,
11 and the California Manufacturers and Technology
12 Association.

13 And then last week, Ben and I had a chance to
14 travel to meet with Dan Borenstein of the east -- or of
15 the Bay Area News Group, who has written extensively about
16 CalPERS, and in particular the liabilities around CalPERS.
17 He did express an interest in learning more about the
18 asset side. And Ben and I both talked -- spoke with him
19 about the work that would be happening here in Investment
20 Committee over the next year. And so looking forward to
21 continuing to build that relationship.

22 Coming up in a couple of weeks on April 2nd and
23 3rd, I'll be speaking on a panel for the Fortune Magazine
24 Brainstorm Health Conference. This annual event draws
25 business leaders together from technology, health,

1 business sectors to look at some of the major challenges
2 facing health care in our country and to discuss ideas and
3 innovation to solve them.

4 I do plan to address the work that we've been
5 doing here at CalPERS to enhance our ability to compete in
6 the health care marketplace, and how we've developed
7 innovative practices, like reference pricing, value-based
8 insurance design, just to name a few. And I look forward
9 to sharing with you what I learn.

10 And then the following week, I will be attending
11 the California Professional Firefighters Association
12 legislative day here in Sacramento. And then also just
13 to -- an offer, if there are groups that you would like me
14 to speak with, certainly let me know.

15 I'll close now with the investment performance
16 year to date as January 31st. And I know I've already
17 reported out these numbers, but we'll do them one more
18 time.

19 The preliminary one-year rolling return is a
20 negative 1.9; the three-year return is 9; the five-year
21 return is 6.3; and the 10-year return is 8.9.

22 And that does conclude my remarks. I'm happy to
23 take any questions you may have.

24 PRESIDENT JONES: Okay. Thank you, Ms. Frost.
25 No questions.

1 We now have an action item. Item for both the
2 approval of the minutes and also Board travel. And you do
3 have a revised Board Agenda Item 6b in your folder for the
4 travel. So I will entertain a motion for that action.

5 VICE PRESIDENT TAYLOR: Move it.

6 PRESIDENT JONES: Moved by Ms. Taylor.

7 BOARD MEMBER MILLER: Second.

8 PRESIDENT JONES: Second by Mr. Miller.

9 All those in favor say aye?

10 (Ayes.)

11 PRESIDENT JONES: Opposed?

12 Hearing none.

13 The item masses.

14 The next is information consent items. I have
15 received no requests to move anything from the consent
16 calendar.

17 So I will move to Committee reports. And for the
18 Investment Committee, I call on the Chair, Mr. Slaton.

19 BOARD MEMBER SLATON: Thank you, President Jones.

20 The Investment Committee met on March 18th, 2019.

21 The Committee approved the following:

22 Agenda Item 7a, staff recommendation to adopt a
23 support, if amended, position on Assembly Bill 181,
24 emerging and transition investment managers;

25 Agenda Item 7b, staff recommendation to adopt an

1 oppose position on Assembly Bill 33, private prison
2 divestment;

3 And Agenda Item 8a, Pillars 3 and 4 of the
4 private equity business model in concept and subject to
5 Committee approval for funding Pillars 3 and 4 investment
6 committees[SIC].

7 And I just want to make a add to the comments of
8 President Jones what he said, first of all, on private
9 equity, but I do want to take a moment just to thank the
10 Investment Office staff for the hard work over the last 18
11 months. There's obviously a lot more work to be done.
12 And I'm very pleased that we have worked together as a
13 team with the staff working hard to flesh this out as we
14 proceed. And at the same time, the Committee members
15 providing our oversight role as appropriate for us as an
16 Investment Committee.

17 So together as a team, we'll move forward on
18 this, and we're excited where we are now, and we're
19 looking forward to the quarterly reports as President
20 Jones said.

21 The Committee received reports on the following
22 topics:

23 The rebalance of the Terminated Agency Pool; an
24 update on sustainable investments; an update on corporate
25 governance that included proxy voting, shareholder

1 campaigns, and corporate engagement; and an overview of
2 CalPERS divestments.

3 The Committee heard public comment on the
4 following topics: Arguments for and against inclusion of
5 Pillars 3 and 4 in the private equity business modeling;
6 the decarbonization of the portfolio so as to transition
7 to a low carbon economy; and arguments for and against
8 Assembly Bill 33.

9 So at this time, I'd like to share highlights of
10 what to expect at the April Investment Committee meeting,
11 a review of co-investment opportunities.

12 The next meeting of the Investment Committee is
13 scheduled for April 15th, 2019 in Sacramento, California.

14 And that concludes my report, Mr. President.

15 PRESIDENT JONES: Thank you, Mr. Slaton.

16 For the Pension and Health Benefits Committee, I
17 call on the Chair, Mr. Feckner.

18 BOARD MEMBER FECKNER: Thank you, Mr. President.

19 The Investment Committee met in -- wrong one.

20 I'm sorry about that.

21 (Laughter.)

22 BOARD MEMBER FECKNER: Reads the page here.

23 The Pension and Health Committee met on March
24 19th, 2019. The Committee reelected Rob Feckner as Chair
25 and elected Ramon Rubalcava as Vice Chair of the PHBC.

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

3 Agenda Item 7a, after consideration of the
4 results and who best demonstrated the ability to offer
5 services in terms of provider network/coverage area,
6 pricing, and agreement to fulfill contractual terms and
7 conditions of CalPERS 2020 to 2024 PPO contract, recommend
8 the intent of award of Solicitation number 2019-8505 to
9 Anthem Blue Cross.

10 PRESIDENT JONES: On motion of Committee.

11 All those in favor say aye?

12 (Ayes.)

13 PRESIDENT JONES: Opposed?

14 Hearing none.

15 The item passes.

16 BOARD MEMBER FECKNER: The Committee received
17 reports on the following topics:

18 The Committee reviewed the PHBC delegation, which
19 will be presented to the Board of Administration for
20 approval at the April 2019 meeting;

21 The Committee received an update on the retired
22 member cost of living adjustment effective May 1, 2019.

23 At this time, I'd like to share some highlights
24 of what to expect at the April PHBC meeting. The
25 Committee will receive information on health care cost

1 trends and CalPERS opioid management, as well as review
2 proposed regulation changes regarding appeals cases and
3 disabled dependents.

4 The next meeting of the PHBC is scheduled for
5 April 16th, 2019 in Sacramento, California. That
6 concludes my report, Mr. President.

7 PRESIDENT JONES: Okay. Thank you, Mr. Feckner.

8 There was no Finance and Administration Committee
9 meeting, so we move to Performance, Compensation and
10 Talent Management Committee. And for that, I call on the
11 Chair, Ms. Taylor.

12 VICE PRESIDENT TAYLOR: Thank you Mr. President.

13 The Performance, Compensation and Talent
14 Management Committee met on March 19th, 2019.

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

17 Agenda Item 6a, salary and incentive ranges for
18 the Chief Health Director position. Approve a base pay
19 range of \$204,750 to \$341,250, and an incentive award
20 range of 0 to 40 percent.

21 PRESIDENT JONES: On motion of Committee.

22 All those in favor say aye?

23 (Ayes.)

24 PRESIDENT JONES: Opposed?

25 The item passes.

1 VICE PRESIDENT TAYLOR: Thank you.

2 The next meeting of the Performance, Compensation
3 and Talent Management Committee is scheduled for May 14th,
4 2019 in Sacramento, California.

5 Thank you.

6 PRESIDENT JONES: Okay. Thank you. Thank you,
7 Ms. Taylor.

8 For the Board Governance Committee I call on the
9 Vice Chair, Ms. Hollinger.

10 BOARD MEMBER HOLLINGER: Thank you, Mr.
11 President.

12 Thank you. The Board Governance Committee met on
13 March 19th, 2019.

14 The Committee held an election of the Board
15 Governance Committee Chair and Vice Chair. Henry Jones
16 was Elected Chair and Dana Hollinger was elected Vice
17 Chair.

18 The Committee received a report on the following
19 topic:

20 An update on next steps in the 2018 CalPERS Board
21 Self-Evaluation Project.

22 The Committee heard public comment on the
23 following topic:

24 Request made by the League of California Cities
25 to consider changing the days that CalPERS meets for Board

1 and Committee meetings from Monday, Tuesday, Wednesday to
2 Wednesday, Thursday, Friday.

3 At this time, I would like to share some
4 highlights of what to expect at the June Board Governance
5 Committee meeting:

6 A discussion of potential Inspector General
7 functions at CalPERS.

8 The next meeting of the Board of Governance
9 Committee is scheduled for June 18th, 2019, in Sacramento,
10 California.

11 And that concludes my report, Mr. President.

12 PRESIDENT JONES: Yeah. Thank you, Ms.
13 Hollinger.

14 The next item on the agenda is Item 9. We have
15 proposed decisions of Administrative Law Judge. And is
16 Mr. Shah is on the phone. Chirag Shah.

17 I call on Ms. Taylor.

18 VICE PRESIDENT TAYLOR: It helps if I push my
19 microphone.

20 I move to adopt the proposed decisions at Agenda
21 Items 9a1 through 5 as the Board's own decisions with the
22 minor modifications argued by staff to Agenda Items 9a1,
23 3, and 5.

24 BOARD MEMBER MILLER: Second.

25 PRESIDENT JONES: It's moved by Ms. Taylor,

1 second by Mr. Miller.

2 All those in favor say aye?

3 (Ayes.)

4 PRESIDENT JONES: Opposed?

5 The item passes.

6 Okay. Thank you. Now, we go to Item 9b, Amended
7 Notice of Election. Ms. Malm.

8 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

9 Good Morning, Mr. President and members of the
10 Board. Kim Malm, CalPERS team member.

11 In February, the Finance and Administration
12 Committee and the Board approved the notice of election
13 for the 2019 retired member election. At that time, we
14 did not have the customer call center phone number or the
15 electronic tabulation address on the notice of election.

16 I advised the Finance Committee that I'd be
17 coming in front of the Board as soon as that was
18 solidified, and it is.

19 So the notice of election is in front of you
20 right now and is an action item. It has the updated phone
21 number and the address for tabulation.

22 PRESIDENT JONES: Okay. Need a motion to
23 approve.

24 VICE PRESIDENT TAYLOR: So moved.

25 BOARD MEMBER FECKNER: Second.

1 PRESIDENT JONES: Moved by Ms. Taylor, second by
2 Mr. Feckner.

3 All those in favor say aye?

4 (Ayes.)

5 PRESIDENT JONES: Opposed?

6 The item passes. Thank you, Ms. Malm.

7 OPERATIONS SUPPORT SERVICES DIVISION CHIEF MALM:

8 Thank you.

9 PRESIDENT JONES: Okay. Now we move to
10 information agenda items, State and federal legislation.
11 Mr. Brown.

12 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Good
13 morning, Mr. President and Board members. Danny Brown,
14 CalPERS team member.

15 The bill deadline has come and past, so now you
16 should have a fairly complete list of bills in your packet
17 that we will be engaging on this year. On the retirement
18 side, we had three bills that we spent a lot of time on
19 last year that were vetoed that came back this year.
20 Those are AB 1320 by Assembly Member Nazarian on
21 divestment from Turkish investment vehicles; Senate Bill
22 266 by Senator Leyva that deals with overpayments that
23 result from disallowed compensation; and then SB 184 by
24 Senator Moorlach that provides Judges in JRS II with a
25 deferred retirement option.

1 The judges have also introduced two other bills,
2 so they definitely win the prize for most retirement bills
3 this year. Otherwise, I think it's going to be pretty
4 light on retirement bills.

5 On the health side, there are a number of
6 mandated benefit bills that we are working on to provide
7 the California Health Benefits Review Program, known as
8 CHBRP with the necessary information for them to prepare a
9 cost analysis on those bills. Typically, these type of
10 mandated health bills don't impact us much, because
11 they're already in our benefit design. But if there are
12 any that do increase or premiums, we'll definitely bring
13 them to your attention.

14 There's one other health bill that I would like
15 to share with you, and that is AB 731 by Assembly Member
16 Kalra that would require large group health plans to go
17 through the same rate review process that currently
18 applies to individual and small group plans. What this
19 means for CalPERS is that once you adopt rates for our
20 fully insured plans, that rate, along with specified data,
21 would need to go to the Department of Managed Health Care
22 so that they can determine whether or not that rate
23 increase is unnecessary or unjustified.

24 We have brought these types of bills to the Board
25 before, and you have typically opposed them. I think the

1 last time was in 2015. So we'll definitely be meeting
2 with the author's office just to make sure that they
3 understand the rate-setting process that this Board goes
4 through on an annual basis.

5 On the federal side, we continue to meet with
6 members of the House Financial Services Committee and the
7 Senate Banking Committee to put us in a position to be a
8 resource on key legislation that may impact the financial
9 markets.

10 We are also working with other retirement systems
11 through the public sector health care roundtable on the
12 repeal or delay of many of the ACA health care taxes,
13 particularly the Cadillac Tax. With the pay-for rules
14 that the House has adopted, it's more likely that these
15 taxes will be delayed rather than repealed.

16 We are also coordinating with the Roundtable on a
17 response to the Department of Health and Human Services on
18 their proposal which they would -- which would eliminate
19 provisions that allow drug companies and PBMs to negotiate
20 rebates. And what they're saying is that this will then
21 make it easier for patients to get access to certain
22 drugs. The proposal would likely eliminate our ability to
23 capture these rebates and reduce or premiums. And the
24 idea is then the consumer would get that rebate at the
25 point of sale at the pharmacy. So we are looking at this

1 as to whether or not it really makes sense for us or our
2 members, and we will likely provide a response to HHS on
3 that.

4 Finally, last month, I failed to mention that we
5 created a place on our external website to post letters
6 that we send to Congress or to regulatory agencies. So
7 we've now posted the three letters that we have issued in
8 2019, as well as all of the letters that we sent out in
9 2018. And we will continue to keep that updated going
10 forward.

11 And that ends my report, and I'm available to
12 answer any questions.

13 PRESIDENT JONES: Okay. I do have one. I'll let
14 Mr. Rubalcava go first.

15 Mr. Rubalcava.

16 BOARD MEMBER RUBALCAVA: Thank you for the
17 report. I just want some clarification. When you were
18 talking about AB 731, the health plan rate review, your
19 statement was that CalPERS typically opposed. Can you
20 elaborate why we would oppose rate review and sharing of
21 data?

22 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Sure.
23 We don't -- we don't typically oppose the transparency of
24 the data. It's more of the rate review and having DMHC
25 approve or disapprove the rates this Board sets. And a

1 couple reasons, one is just the timing. If we set rates
2 in June -- May or June to go in effect the following
3 January, and then you have to send them over to DMHC, if
4 they were to say they're unjustified, and there's a public
5 process, it could delay implementation of our rates on
6 January 1st.

7 And I think the other thing is that the
8 Legislature, you know, has given this Board statutory
9 authority to set those rates and does it really make sense
10 to have another State entity to review your work.

11 BOARD MEMBER RUBALCAVA: Thank you.

12 Thank you, Mr. Jones.

13 PRESIDENT JONES: Yeah. Mr. Brown, could you
14 expand a little bit on the current status of the Cadillac
15 Tax and what's the future steps in that regard?

16 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Well,
17 I think from the meetings that I've had and things I've
18 heard, I think the thought is that it will probably be
19 delayed again, and probably nothing will happen till the
20 end of this year, in some type of, you know, tax package.
21 It will be attached to something. It's not -- I mean,
22 there's a couple bills out there to repeal it. It's not
23 likely that those bills will move on their own, but we're
24 hoping that it would be put into a larger bill package at
25 the end of the year, and likely a delay.

1 PRESIDENT JONES: Okay. Thank you.

2 Okay. Thank you for that report.

3 Next item is Summary of Direction. Ms. Frost.

4 CHIEF EXECUTIVE OFFICER FROST: I did not record
5 any.

6 PRESIDENT JONES: Okay. Thank you.

7 Is there anyone in the public who wishes to speak
8 to the Board?

9 Okay. Hearing no requests, so this meeting is
10 adjourned and we will go into closed session as soon as we
11 clear the auditorium.

12 (Thereupon the California Public Employees'
13 Retirement System, Board of Administration
14 open session meeting adjourned at 9:25 a.m.)

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C E R T I F I C A T E O F R E P O R T E R

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of March, 2019.



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