

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, AUGUST 21, 2019

9:00 A.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
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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. Fiona Ma, represented by Mr. Frank Ruffino

Ms. Lisa Middleton

Mr. David Miller

Ms. Stacie Olivares

Ms. Eraina Ortega

Ms. Mona Pasquil Rogers

Mr. Jason Perez

Mr. Ramon Rubalcava

Ms. Betty Yee, represented by Ms. Karen Greene-Ross and
Ms. Lynn Paquin

STAFF:

Ms. Marcie Frost, Chief Executive Officer

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. Yu (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:

Dr. Donald Moulds, Chief Health Director

Mr. Brad Pacheco, Deputy Executive Officer

Mr. Scott Terando, Chief Actuary

Ms. Marlene Timberlake D'Adamo, Chief Compliance Officer

Ms. Liana Bailey-Crimmins, Chief Information Security Officer

Mr. Danny Brown, Chief, Legislative Affairs Division

Ms. Cara Buchanan, Board Secretary

Mr. Kelly Fox, Chief, Stakeholder Relations Division

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

Ms. Kimberly Malm, Interim Chief, Health Policy Research Division

Mr. David Teykaerts, Manager, Stakeholder Strategy

ALSO PRESENT:

Mr. Tim Behrens, California State Retirees

Ms. Charity Bowman, CalPERS ESPD

Ms. Danielle Casey, Greater Sacramento Economic Council

Mr. Al Darby, Retired Public Employees Association

Ms. Manijeh Fatollahi

Ms. Ivy Felix

Ms. Sara Flocks, California Labor Federation

Mr. Jerry Fountain, California State Retirees

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

ALSO PRESENT:

Mr. J.J. Jelincic

Mr. Richard Koppes

Ms. Yasmin Peled, Health Access California

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

Ms. Gabriella Urdaneta, CalPERS ESPD

Mr. Mario Yedidia, UNITE HERE

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P R O C E E D I N G S

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

5 BOARD SECRETARY BUCHANAN: Good morning.

6 Henry Jones?

7 PRESIDENT JONES: Here.

8 BOARD SECRETARY BUCHANAN: Theresa Taylor?

9 VICE PRESIDENT TAYLOR: Here.

10 BOARD SECRETARY BUCHANAN: Margaret Brown?

11 BOARD MEMBER BROWN: Here.

12 BOARD SECRETARY BUCHANAN: Rob Feckner?

13 BOARD MEMBER FECKNER: Good morning.

14 BOARD SECRETARY BUCHANAN: Frank Ruffino for
15 Treasure Ma.

16 ACTING BOARD MEMBER RUFFINO: Present.

17 BOARD SECRETARY BUCHANAN: Lisa Middleton?

18 BOARD MEMBER MIDDLETON: Present.

19 BOARD SECRETARY BUCHANAN: David Miller?

20 BOARD MEMBER MILLER: Here.

21 BOARD SECRETARY BUCHANAN: Stacie Olivares?

22 BOARD MEMBER OLIVARES: Here.

23 BOARD SECRETARY BUCHANAN: Eraina Ortega?

24 BOARD MEMBER ORTEGA: 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: Here.

6 BOARD SECRETARY BUCHANAN: And Karen Green-Ross
7 for Betty Yee?

8 ACTING BOARD MEMBER GREENE-ROSS: Here.

9 PRESIDENT JONES: Okay. Thank you very much.

10 The next item is approval of the timed agenda.
11 Do I have a motion?

12 VICE PRESIDENT TAYLOR: Move approval.

13 PRESIDENT JONES: Moved by Mrs. Taylor.

14 BOARD MEMBER MILLER: Second.

15 PRESIDENT JONES: Second by Mr. Miller.

16 All those in favor say aye?

17 (Ayes.)

18 PRESIDENT JONES: Opposed?

19 The item passes.

20 The next item is Pledge of Allegiance. And I've
21 asked Mr. Feckner the lead us in the pledge.

22 BOARD MEMBER FECKNER: Would you all please
23 stand?

24 Hand over heart.

25 (Thereupon the Pledge of Allegiance was

1 recited in unison.)

2 PRESIDENT JONES: The next agenda item is the
3 President's report. So goof morning again.

4 This week we welcomed a new member to our Board,
5 Stays Olivares. And on behalf of the entire Board, I want
6 to thank you and take this opportunity to officially
7 welcome you to our CalPERS family.

8 Ms. Olivares experience in the areas of finance,
9 economics, and technology will be an asset to our Board.
10 We look forward to her Perspectives as a public and
11 private sector leader, and to her contributions to help
12 ensure the long-term sustainability of pensions and health
13 care for those who we serve.

14 I'd like to begin this morning also by taking a
15 moment of personal privilege. Last night, Capitol Weekly,
16 a local publication that covers California governments and
17 politics released its annual top 100 list of people that
18 wield decisive influence on California politics and
19 policy. I'm pleased to share that our CEO Marcie Frost is
20 part of that list.

21 Congratulations.

22 (Applause.)

23 PRESIDENT JONES: Capitol Weekly called Marcie
24 one of the most important women in California. So
25 congratulations, Marcie. Being named to this list is a

1 testament to the work that she has been doing to tell
2 CalPERS' story on behalf of our members and our employers.

3 Last week, I -- two weeks ago, I guess it was, I
4 went to visit a retiree group in Santa Cruz to update them
5 on CalPERS's status. And as I was in that area, I decided
6 to visit the San Jose regional office and just personally
7 meet them and thank them for the work that they do. And
8 while I was there, Kevin Coffman, who is the manager
9 there, shared a story with me that I think is a testament
10 to how we serve our members.

11 He shared with me that we had a member that lives
12 in San Diego was driving from San Diego to Oregon for a
13 vacation. And so they visit some friends in San Jose.
14 And they so, oh, we've got a regional office here, let's
15 stop in. So they stopped in and they talked to one of the
16 representatives and when we left, he had retired.

17 (Laughter.)

18 PRESIDENT JONES: So that tells you -- so I
19 thought that was pretty amazing that you're on your way to
20 a vacation and you retire in the process, so that's very
21 good.

22 Let me close by thanking my colleagues for the
23 insightful and constructive dialogue we had yesterday
24 afternoon on our Board Governance workstreams. We started
25 down this path nearly 13 months ago with the goal of

1 assessing our strengths and identifying opportunities for
2 us to enhance governance, effectiveness, and performance
3 as a governing body. Many ideas emerged from this work
4 and the findings of our survey. These are rough issues,
5 but when -- but we do not avoid them. We deal with them.

6 CalPERS needs to innovate to keep pace with the
7 challenges we face. That is not easy, but it is
8 necessary. And our members expect that we move with times
9 and walk the talk. What we have before us today is a
10 solid set of recommendations. I want to thank the
11 workstream leads for taking on this important work in
12 driving us forward. It is critical for this work to be
13 driven by the Board for the Board.

14 I also want to thank Cari Dominguez from NACD and
15 our resident expert of Governance Anne Simpson. Cari and
16 Anne have guided our efforts and made sure our work
17 reflected best practices in corporate governance. We --
18 what unites us a Board is our fiduciary duty to our
19 members. They deserve the best from us and that includes
20 governance.

21 As I mentioned yesterday in our Committee
22 meetings, new research from Boston College shows that
23 public pension funds with governance have the best
24 performance. As Board president, I'm proud that we have
25 taken up this challenge of improving our governance,

1 raising the bar for ourselves so we can perform to the
2 very best of our ability. We have more work to do, but
3 I'm optimistic that we are on the right path.

4 So with that, I'll turn it over to our CEO,
5 Marcie Frost.

6 CHIEF EXECUTIVE OFFICER FROST: Good morning,
7 President Jones and members of the Board. I'd like to
8 start this morning's report by saying thank you to all of
9 you who participated in the ice cream social yesterday.
10 That's always a very fun event for the team. And I think
11 the executive team as well as the Board enjoys interacting
12 with the team here at CalPERS

13 It has become a very nice tradition here. I
14 think when I first started back in August of 2016, I think
15 the temperature has 105 that day, and so yesterday was a
16 nice relief. But I also think it's an opportunity that
17 our colleagues from around CalPERS have not only an
18 opportunity to interact more directly with the executive
19 team, but it's a wonderful opportunity for them to get to
20 interact with you and get to know you as well.

21 Our members are really at the heart of everything
22 that we do here at CalPERS. And I think as you've been
23 out and around talking with members or attending some of
24 the CBEEs that we do around the state, you continue to
25 hear from our members their concern about the safety of

1 their benefits and will the benefits be there if they're
2 not retired yet? Will the benefits be there when they
3 need them to be.

4 So one of the things that we've done to try and
5 tell the story and explain the work that CalPERS is doing
6 is we issued a letter. It's out on our website. And it's
7 a letter from me to our members, so that they can
8 understand the plan that we've developed over the future,
9 but it also gives a little bit of a look back, a 20-year
10 look back, if you will, on the funded status today being
11 at 71 percent. And there was -- it was not that long ago
12 that we would have been considered super-funded. So what
13 happened between being a super-funded plan to being where
14 we're at today at roughly 71 percent?

15 And I think we -- as we're out talking, not only
16 with member, but as we're talking with employers as well,
17 that is a question that we continue to get, why does the
18 fund remain at 71 percent? So we've been able to get this
19 letter together. We're sharing it with our members.
20 We're certainly sharing it with the employers who we meet
21 with on a regular basis, so that they can understand.
22 What we're trying to prevent is, you know, when we first
23 started having the dialogue with the employers, there
24 tended to be a lot of, well, whose fault is it? And so
25 what we're trying to do is say we have a problem to solve.

1 It's not a matter of anyone's fault, but there is a
2 problem to solve and it's going to take everyone working
3 together to solve it, and it's a long-term solution. This
4 is not an overnight fix. It wasn't an overnight problem
5 that got us where we're at today. And it's certainly not
6 an overnight fix to get us back to a healthier funded
7 status, but that everyone is focused on it, including the
8 entire executive team as well as the Board.

9 So we have copies of the letter in the back of
10 the auditorium for anyone who might be interested in
11 reading it. But as I indicated, it's also out on our
12 website available to any member or anyone who wants to go
13 and take a look.

14 So -- and then on Tuesday, we were very fortunate
15 to hear from Hiro Mizuno from GPIF in Japan. And I think
16 his talk was very well received, not only from the Board,
17 but also from, you know, people sitting in the auditorium.
18 And I think his perspective as an executive director and a
19 CIO at the world's largest public pension fund, combined
20 with his experience in private equity markets, was really
21 invaluable. And you can see, at least in my opinion, you
22 see some similarities between our own CIO, Ben Meng, and
23 Hiro.

24 And as you learned, Hiro is face with some of the
25 very same challenges that we have here at CalPERS, and is

1 taking some of the approaches that we're taking. And a
2 few takeaways for me were the alignment of interests and
3 the way that he's been able to negotiate fee structures
4 with outside asset managers, which they're required to
5 use. And I think he really talked to us about
6 transparency, that transparency really works both ways.
7 Transparency has to happen to have Public Trust and trust
8 in the system, but you also have to be careful about
9 transparency that it does not impair your ability to make
10 an investment return. So that is the balance that we
11 continue to try and strike. And obviously, we'll continue
12 to focus their as well.

13 We also had another investment workshop with the
14 CFA Institute. This is the fourth one for the year. And
15 this one was really around global equity and public
16 markets. Also of note this week was the discussion we had
17 on mental health. And we do know that we'll have more
18 discussions coming up in the November Pension and Health
19 Benefits Committee. And we will be inviting the health
20 plans, or at least one or two of the health plans, to talk
21 about, not only the pipeline, but the resources available
22 to help our members in the system.

23 And it's -- think it's important, and Dr. Logan
24 emphasized that, it's important for us to understand that
25 mental health is one of the root causes of the violence

1 that we continue to see around this nation. And we know
2 that there's much more work to be done to get people who
3 live with mental illness the help that they need. And I
4 do appreciate Controller Yee and Treasurer Ma's letters to
5 me, and will continue to address those questions. I know
6 we will also be looking at the surveys that we send out to
7 the members on how well they believe that those services
8 have met their needs, and the possibility of customizing
9 additional questions to get more input from the members
10 who are receiving these services.

11 And then we also welcomed Dr. Moulds to join the
12 team as the Chief Health Director. So he was available
13 and is here today as well. And I'm confident that his
14 experience working on health care policy in -- around the
15 nation as well as in the state of California will really
16 help to move our emphasis on public policy around health
17 care, both with cost containment, and high quality, and
18 access.

19 Moving on now to some emergency preparedness work
20 that we're doing internally at CalPERS. In addition to
21 learning about our role improving mental health outcomes,
22 it's important that we also take practical steps here at
23 CalPERS to prepare for emergency scenarios, such as an
24 active shooter scenario. And employee and member safety
25 on our campus obviously is our top priority. And that's

1 why the executive team and our senior leadership council
2 recently met with the U.S. Department of Homeland Security
3 to learn what we can do to become better prepared. And
4 then tomorrow, we'll be offering similar training to all
5 of our employees here.

6 And in November, we actually will be holding an
7 active shooter training drill that will provide us
8 valuable understanding should we ever have to respond to
9 an event such as that.

10 In a little while, you'll be receiving a
11 legislative update from Danny Brown. And there will be a
12 bill up for action, which is 731. We will have someone
13 from the health care team available to address any
14 specific questions you may have there.

15 You'll also hear shortly about our stakeholder
16 perception survey. This is survey we send out every year
17 to our members, to our retirees, employers, and other
18 stakeholder groups to cut a check on the effectiveness of
19 our communication on outreach efforts.

20 Overall, we did see a continued upward trend in
21 most categories, especially in the area of confidence and
22 retirement, money being safe, which is, I think, really an
23 important indicator and one our members certainly want us
24 to pay attention to. And as you know, this has been a
25 focus of ours and yours when we're out speaking to a

1 number of groups.

2 I also recently visited with officials in the
3 Count of Riverside. And they had made a request for us to
4 come and meet with them to talk about some of their
5 concerns, but also address several questions that they
6 had. So our team, along with Board Members Lisa Middleton
7 and Jason Perez traveled to their office just a few weeks
8 ago to listen to those concerns. And I think it was a
9 productive meeting. I would invite Ms. Middleton or Mr.
10 Perez to comment on this as well. But I think they came
11 away with a good impression of the actions that we are
12 taking and that we are focused on the right things,
13 meaning not only are we focused on the member's benefit,
14 but we're also focused on the employer's ability to pay
15 for them.

16 And, you know, for our part, every time we have
17 one of these meetings with the employer community or with
18 a member community, we do take away a bit of information
19 that we come back and figure out how do we communicate
20 this topic better, so that it saturates within the
21 membership a little more strongly than it is today.

22 And then I also just returned from the National
23 Association of State Retirement Administrators, which is a
24 group of all of the heads of the public pension plans
25 around the United States. And it's always good to be

1 there to talk about the work that CalPERS is doing. They
2 do a roll call of the states, where each state talks
3 about, for three minutes, basically the top issues facing
4 their fund and any best practices that they want to talk
5 about. I did speak about the governance work that the
6 Board had decided to take as their priority for this year.
7 And there is a lot of interest in understanding the
8 outcome of the meeting yesterday and today. So I'm sure
9 I'll have an opportunity to talk about that with them.

10 And then earlier this month, I met with the Mayor
11 of Sacramento and the leaders of the Greater Sacramento
12 Economic Council. And I believe we have someone from that
13 Council here to give public comment today. And this
14 really is just part of our ongoing effort to connect with
15 leaders in California's business community. And the
16 discussion gave me a chance to talk about the impact our
17 benefits really have on the California economy considering
18 over \$20 billion in benefits is being paid and typically
19 spent in the state of California.

20 And then one more outreach item to mention, and
21 that's our annual Education Forum. Currently, we have
22 nearly 800 participants registered to attend this 20th
23 annual event. And this year, it will be held at the
24 Oakland Marriott City Center October 28th through October
25 30th. And we've put together about 45 educational

1 sessions, plus a host of exhibit hall, informational
2 booths, and one-on-one consultations.

3 Looking forward to being there and hearing
4 firsthand how we can strengthen our partnerships with our
5 employer community.

6 Mr. Terando, our Chief Actuary, did notify me
7 this morning that all of the valuations for the employers
8 are fully uploaded to their web portal and are available
9 for their use.

10 Back to the Ed Forum real quickly. One of the
11 highlights I think that we all enjoy is the Spotlight on
12 Excellence Award, which recognizes a public employee at an
13 agency or program for excellence. Nominations will be
14 accepted through this Friday, August 23rd at 5:00 p.m.
15 And then information about the Spotlight on Excellence
16 Award can be found on our website.

17 And now in investment performance year-to-date,
18 the rolling -- and this would be as of June 30th 2019.
19 The rolling 1-year return of the fund is 6.7, the 3-year
20 return is 8.8, the 5-year return is 5.8, and the 10-year
21 return is 9.1.

22 And then before I close, I just want to share one
23 of the videos that was produced for our annual CalPERS
24 Live event for all employees. It's real our all-employee
25 meeting here. And this is our yearly opportunity to come

1 together to celebrate accomplishments and talk about the
2 priorities for the year ahead. And one of the focus areas
3 that we had this year was on investments and the
4 Investment Office, and the role they play in serving our
5 customers.

6 And I think you'll see from this video the
7 commitment that Ben and the entire Investment Office have,
8 and what they bring to the work that they do every day.

9 So if we could roll that video.

10 (Thereupon a video was played.)

11 CHIEF EXECUTIVE OFFICER FROST: Thank you.

12 (Applause.)

13 CHIEF EXECUTIVE OFFICER FROST: And just a quick
14 note, that video was done and produced by our internal
15 team, who's obviously quite talented.

16 And I think the other takeaway is every time we
17 have these interviews done with team members here at
18 CalPERS, you can see the connection back to the benefits
19 that we're paying, that there are family members, and
20 there's this alignment to the mission that is much more
21 than the compensation you're receiving, but just this
22 value system that so many of our team have here at
23 CalPERS.

24 So thank you, President Jones, and that does
25 conclude my report.

1 PRESIDENT JONES: Okay. Thank you.

2 Mr. Feckner, you want to be recognized now?

3 BOARD MEMBER FECKNER: I do. I have a question.

4 PRESIDENT JONES: Okay. Mr. Feckner.

5 BOARD MEMBER FECKNER: Thank you.

6 I have a question or comment for Ms. Frost. On
7 the Employers' Conference, I've been hearing from some
8 employers with some frustration that so many classes
9 filled up so quickly, and now they have employees that
10 they sending to get specific training and it's not
11 available to them. Those ones that filled up so fast, is
12 that possible to offer a second option for these folks?

13 CHIEF EXECUTIVE OFFICER FROST: We'll take a look
14 at it. I think what we heard in Donna Lum's report is
15 when we found that had happened at the CBEE, we found a
16 way to open up new classrooms with the same content.

17 BOARD MEMBER FECKNER: Great.

18 CHIEF EXECUTIVE OFFICER FROST: So I'll take that
19 back to the team.

20 BOARD MEMBER FECKNER: Thank you.

21 CHIEF EXECUTIVE OFFICER FROST: Um-hmm.

22 PRESIDENT JONES: Okay. Thank you.

23 Okay. So the next item on the agenda is action
24 consent items, 6. And also, you have an updated travel
25 request in your folder. So do I have a motion on the

1 action consent items?

2 VICE PRESIDENT TAYLOR: Move approval.

3 PRESIDENT JONES: Moved by Mrs. Taylor.

4 BOARD MEMBER BROWN: Second.

5 PRESIDENT JONES: Second by Ms. Brown.

6 All those in favor say aye?

7 (Ayes.)

8 PRESIDENT JONES: Opposed?

9 Hearing none.

10 The item passes.

11 I've not received a request to remove anything
12 from the information consent items, so we will go to
13 Committee Reports.

14 And for the Investment Committee, I call on the
15 Chair Mr. Feckner.

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

17 The Investment Committee met on August 19th and
18 20th, 2019. The Committee approved the following:

19 Agenda Item 8a, the establishment of a
20 subcommittee to interview and recommend the candidates
21 approved by the Committee for general pension, private
22 equity, real estate, and infrastructure consultants.

23 The Committee received reports on the following
24 topics:

25 The biannual summary of portfolio performance,

1 risk, and the current economic outlook; a first reading of
2 proposed changes to the Total Fund Investment Policy;
3 annual review of the Trust Level Portfolio Management and
4 Opportunistic Strategies Program; results from the annual
5 Board survey of investment consultants; a workshop
6 covering the characteristics and role of global equity;
7 and an overview of the ESG strategies of the Government
8 Pension Investment Fund of Japan.

9 The Committee heard public comment on the
10 following topics: the Total Fund Policy, a staffing
11 concern, an investment strategy, and the risks of private
12 detention centers.

13 At this time, I would like to share some
14 highlights of what to expect at the September Investment
15 Committee meeting: the second reading of proposed
16 revisions to the Total Fund Policy, public fund universe
17 comparisons reports, and the Public Markets Annual Program
18 Review.

19 The next Meeting of the Investment Committee is
20 scheduled for September 16th in Sacramento, California.
21 Thank you, Mr. President.

22 PRESIDENT JONES: Okay. Thank you, Mr. Feckner.
23 The next item is the Pension and Health Benefits
24 Committee.

25 MS. HOPPER: We have public comment for that

1 item.

2 PRESIDENT JONES: Yes, we do. I'm sorry.

3 Mr. Jelincic and Ms. Casey.

4 Please identify yourself, and your organization,
5 and you will have three minutes to speak.

6 MR. JELINCIC: J.J. Jelincic.

7 I like to point out good behavior as well. And
8 so I would like to actually call out Theresa Taylor for
9 pointing out that there is a problem with the use of
10 seasonal clerks. When a third of your support staff are
11 seasonal clerks, there is something wrong. I don't know
12 that it is happening beyond the program that was reviewed,
13 but on the cockroach theory, I would encourage this Board
14 to certainly take a look and see if that classification is
15 being abused elsewhere.

16 And I would encourage you to look at using the
17 retired annuitants, student assistant, graduate students
18 OAs and OTs as is appropriate.

19 Thank you.

20 MS. CASEY: Good morning, President Jones,
21 members of the Board. Danielle Casey. I'm the Executive
22 Vice President with the Greater Sacramento Economic
23 Council. Ms. Frost mentioned our meetings before. And I
24 thank you so much for that.

25 I simply wanted to highlight today two letters

1 that I believe you have all seen that were addressed to
2 Ms. Frost and also copied to the Board highlighting our
3 strong support and also the need for Class A development
4 in our region, and specifically 301 Capitol Mall.

5 One of the letters submitted was authored by our
6 Board Chair and Vice Chair with the Greater Sacramento
7 Economic Council, and another was from Mayor Steinberg.
8 And if I can just highlight a few of the comments in the
9 letters, not the entire letter, in respect of your time.

10 However, from the Greater Sacramento Economic
11 Council, Board Chair Garry Maisel. He comments that when
12 partners in our region engage in discussions to attract
13 modern fast-growing companies from other first-tier cities
14 to expand into or relocate into our downtown core, the
15 lack of available space with modern floor plates and
16 amenities that can be delivered in targeted timelines
17 precludes them from discussion -- discussing our region's
18 abundant talent and very attractive quality of life.

19 Tower 301 represents a tremendous opportunity for
20 CalPERS to capitalize on our growth as a modern innovative
21 economy. And if I can also highlight Mayor Steinberg's
22 comments. He mentions that CalPERS has the opportunity is
23 be a central part of the city's evolution by delivering
24 the first state-of-the-art high rise office building
25 within Sacramento's urban core in more than 14 years.

1 The Tower 301 project has enormous potential to
2 positively affect the greater Sacramento region by
3 providing critical Class A office space demanded by the
4 recent influx of companies to the market. And CalPERS
5 project on the -- partnership on the project will be
6 impactful and visible as Tower 301 will significantly
7 reshape the city's skyline.

8 Thank you so much.

9 PRESIDENT JONES: Thank you for your comments.

10 The next item on the agenda is the Pension and
11 Health Benefits Committee. And for that, I call on the
12 chair, Mr. Feckner.

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

14 The Pension and Health Benefits Committee, PHBC,
15 met on August 20th, 2019.

16 The Committee received reports on the following
17 topics:

18 The Committee received information on the
19 importance of mental health and overall health and
20 wellness and CalPERS' role in ensuring members receive
21 high quality mental health care.

22 The Chair directed staff to:

23 Request the CalPERS health plans provide the
24 Pension and Health Benefits Committee a behavioral health
25 and wellness update using the same set of presentation

1 guidelines;

2 Request the DMHC to provide the PHBC an overview
3 of their role and strategies to increase timely access to
4 behavioral health services and performance measures that
5 monitor to determine adequacy;

6 Provide detailed numbers for the percentages
7 identified in the August 20th CalPERS mental health
8 presentation;

9 Evaluate the annual CalPERS Health Satisfaction
10 Survey to ensure pertinent mental health questions are
11 being asked;

12 Provide the health plan contract information
13 associated with care, including current quality measures
14 we are holding the plans accountable to;

15 Provide health plan data associated with parity
16 law compliance.

17 At this time, I'd like to share some highlights
18 of what to expect at the November PHBC meeting. The
19 Committee will receive information on the Health Benefits
20 Program Annual Report and review the final proposed
21 regulations to PEMHCA.

22 The next meeting of the PHBC is scheduled for
23 November 19th, in Sacramento, California. Thank you, Mr.
24 President

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

1 The next agenda item is the Finance and
2 Administration Committee. We did not have a meeting, so
3 no report.

4 The Performance, Compensation and Talent, we did
5 not have a meeting so no report.

6 The Risk and Audit Committee, we did not have a
7 meeting, so no report.

8 The next item is 8f, Board Governance Committee.
9 And for that, I call on the Vice Chair, Ms. Pasquil
10 Rogers.

11 BOARD MEMBER PASQUIL ROGERS: Sorry.

12 Am I on now?

13 PRESIDENT JONES: Hit your button. Yeah.

14 BOARD MEMBER PASQUIL ROGERS: The Board
15 Governance Committee met on August 20th.

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

18 Agenda Item 7a, accept the recommendations of
19 Workstream 1 and ask management to move forward to enrich
20 the onboarding program for new Board members and
21 designees, and develop education modules by committee,
22 partnering with specific organizations.

23 PRESIDENT JONES: Okay. Before we -- before we
24 vote on that, we do have a request to speak on this item.
25 Mr. -- let me see where.

1 Okay. No, I'm sorry. They keep changing my list
2 here. So go --

3 All those in favor of the Committee
4 recommendation -- on the motion of Committee.

5 BOARD MEMBER BROWN: I have a comment.

6 PRESIDENT JONES: Okay. Ms. Brown.

7 BOARD MEMBER BROWN: Thank you very much.

8 I would just like to say that I'm happy that
9 CalPERS is moving towards an onboarding program for -- for
10 new members. When Mr. Miller and I were elected and
11 started in January of 2018, there was really no onboarding
12 program, other than a half our telephone conference call
13 with our fiduciary counsel and then talking with staff
14 about the delegated authority, the authority that we
15 delegate to the staff to do our work, and almost none of
16 it was in writing.

17 And so I hope as we move forward with this
18 onboarding and developing these education modules, that it
19 becomes in print. It doesn't need to be in a binder. It
20 can be electronic. But that we keep it as a record,
21 because the PERL actually requires us to have a written
22 onboarding program.

23 Thank you.

24 PRESIDENT JONES: Okay. Mr. Miller.

25 BOARD MEMBER MILLER: Yeah. I'm very supportive

1 of this motion. My recollection of the onboarding was
2 different. I felt it was pretty comprehensive. We spent
3 several hours. I went through policies, guidelines for
4 behavior, guidelines for things like access to chambers,
5 et cetera, et cetera, et cetera.

6 And -- but I think this goes the next step
7 further, particularly with regard to our delegates and
8 designees, and including them. Their role is extremely
9 important and they should have the same benefit of
10 orientation, and onboarding, and educational opportunities
11 that all of the Board members who sit here and serve our
12 members do. And so I'm very supportive of this motion.

13 PRESIDENT JONES: So all those in favor of the
14 motion say aye?

15 (Ayes.)

16 PRESIDENT JONES: Opposed?

17 Hearing none. The item passes. Thank you.

18 BOARD MEMBER PASQUIL ROGERS: The Committee
19 recommends and I move that the Board approve the
20 following:

21 BOARD MEMBER BROWN: Excuse me?

22 PRESIDENT JONES: Yes.

23 They wanted to speak on 8f.

24 And we're on -- we're not there yet.

25 Okay. Thank you.

1 Sorry.

2 BOARD MEMBER PASQUIL ROGERS: The Committee
3 recommends and I move that the Board approve the
4 following:

5 Agenda Item 7b, accept the recommendations of
6 Workstream 2 and ask management to bring back revisions to
7 the Board's rules and guidelines for the conduct of
8 meetings and board -- Board Governance Policy to replace
9 Robert's Rules of Order with Rosenberg's Much of Order as
10 the Board's parliamentary guidance, and review Board
11 policies and documents with an eye towards streamlining
12 and simplifying them.

13 PRESIDENT JONES: On a motion of Committee.
14 All those in favor say aye?

15 (Ayes.)

16 PRESIDENT JONES: Opposed?
17 Hearing none. The item --

18 (No.)

19 PRESIDENT JONES: Note Mr. Perez's oppose.
20 The item passes.

21 BOARD MEMBER PASQUIL ROGERS: The Committee
22 recommends and I move -- well, actually.

23 Can I ask a question? If I have a substitute
24 motion on this, do I read it first?

25 PRESIDENT JONES: Yes.

1 BOARD MEMBER PASQUIL ROGERS: Okay. The
2 Committee recommends and I move that the Board approve the
3 following, which is weird to me.

4 Agenda Item 7c, accept the recommendations on
5 Workstream 3 with some modifications specifically, one,
6 consolidate - and we're going to vote on each separately -
7 consolidate the current two strategy offsites into one.

8 PRESIDENT JONES: Okay. All those in favor of
9 the motion by the Committee say aye?

10 (Ayes.)

11 PRESIDENT JONES: Opposed?

12 Hearing none. The item passes.

13 BOARD MEMBER PASQUIL ROGERS: Accept the
14 recommendations of Workstream 3 with some modifications,
15 specifically to institute an Annual Stakeholder Forum.

16 PRESIDENT JONES: On the motion of Committee.

17 All those in favor say aye?

18 (Ayes.)

19 PRESIDENT JONES: Opposed?

20 Hearing none. The item passes.

21 Consolidate the schedule of Board monthly --
22 monthly Board and Committee meetings as follows:

23 Board meetings, retain the current schedule,
24 Investment Committee six meetings per year, other
25 committees as least quarterly.

1 PRESIDENT JONES: On motion --

2 BOARD MEMBER PASQUIL ROGERS: I would like to
3 make a substitute -- can I make a substitute motion on
4 this?

5 PRESIDENT JONES: Yes.

6 BOARD MEMBER PASQUIL ROGERS: I'd like to make a
7 substitute motion to consolidate the schedule of monthly
8 Board and Committee meetings as follows:

9 Board meetings quarterly, and all other
10 committees meeting quarterly.

11 BOARD MEMBER MILLER: I'll second that.

12 PRESIDENT JONES: It's been second.

13 Motion by Ms. Pasquil Rogers.

14 BOARD MEMBER PEREZ: How do I --

15 PRESIDENT JONES: Wait just a minute. And second
16 by Mr. Miller.

17 Now, I can recognize you, Mr. Perez.

18 BOARD MEMBER PEREZ: I'm sorry. Is there a way
19 for me to do another --

20 PRESIDENT JONES: You could substitute.

21 BOARD MEMBER PEREZ: Substitute. Can I do a
22 substitute?

23 PRESIDENT JONES: Yes.

24 BOARD MEMBER PEREZ: I would like that we have
25 six meetings. And those six meetings it's all

1 encompassing of all the Board business, not including the
2 offsites. So the INVO team wouldn't have to come to the
3 offsites, just six meetings.

4 PRESIDENT JONES: Okay. So that's the substitute
5 motion. So we will take -- is there a second?

6 BOARD MEMBER BROWN: I'll second.

7 PRESIDENT JONES: Second by Ms. Brown.

8 All those in favor of that amendment say aye?

9 (Ayes.)

10 PRESIDENT JONES: Opposed?

11 (Noes.)

12 PRESIDENT JONES: The item --

13 BOARD MEMBER BROWN: Can we have an electronic
14 vote, please?

15 PRESIDENT JONES: Yes. Electronic vote on this
16 item.

17 (Thereupon an electronic vote was taken.)

18 ACTING BOARD MEMBER GREENE-ROSS: Could you
19 clarify what we're voting on?

20 PRESIDENT JONES: We're voting on Mr. Perez's --
21 I mean -- yeah.

22 Electronically vote on Mr. Perez's amended
23 motion.

24 ACTING BOARD MEMBER RUFFINO: Can you repeat
25 that, six meetings?

1 PRESIDENT JONES: Yeah. Mr. Perez, would you
2 repeat your --

3 BOARD MEMBER PEREZ: Six meetings where we all
4 meet together and conduct the Board business -- not just
5 the Board, but Committee business, and not including the
6 offsites.

7 (Thereupon an electronic vote was taken.)

8 PRESIDENT JONES: Okay. So the item fails.

9 Now, we go back to the main motion, Ms. Pasquil
10 Rogers motion.

11 All those in favor of that motion?

12 Discussion?

13 BOARD MEMBER PASQUIL ROGERS: Discussion.

14 VICE PRESIDENT TAYLOR: Discussion.

15 PRESIDENT JONES: For Ms. Pasquil.

16 Repeat your motion, Ms. Pasquil Rogers.

17 BOARD MEMBER PASQUIL ROGERS: To consolidate the
18 schedule of monthly Board and Committee meetings to
19 quarterly for Board meetings and all other Committees at
20 least quarterly

21 PRESIDENT JONES: Okay. Is that clear?

22 Okay. So I'm calling the -- questions.

23 VICE PRESIDENT TAYLOR: Yeah.

24 PRESIDENT JONES: You've got to change this. So
25 Ms. Taylor.

1 VICE PRESIDENT TAYLOR: So I just want to
2 clarify. Thank you, Mr. Pasquil Rogers.

3 So we want the Board meetings to be quarterly and
4 all Committee meetings to be quarterly. So we would have
5 all the meetings together all at once quarterly, is that
6 what we're saying?

7 BOARD MEMBER PASQUIL ROGERS: No, I believe that
8 they're rotating on the committees, as it was --

9 VICE PRESIDENT TAYLOR: Okay. So they wouldn't
10 all end up together.

11 BOARD MEMBER PASQUIL ROGERS: -- as it was
12 recommended. I don't have those calendars in front of me.

13 VICE PRESIDENT TAYLOR: I'm not sure -- okay.
14 Okay. That's my question. I wasn't -- so we're thinking
15 that we have quarterly Board meetings, of which we rotate
16 whether or not we have three or four committees per
17 quarter meetings?

18 BOARD MEMBER PASQUIL ROGERS: Um-hmm.

19 VICE PRESIDENT TAYLOR: Okay. Okay. I'm just
20 trying to clarify.

21 PRESIDENT JONES: Mr. Feckner.

22 BOARD MEMBER FECKNER: Yeah. First of all, I
23 don't understand how we can have a committee meeting if
24 it's not same time as a Board meeting, because we have to
25 approve what the Committee did, first of all.

1 So if we're running them subsequently together,
2 as Ms. Taylor pointed out, that's not going to work. But
3 secondly, I'd like counsel to weigh in whether or not that
4 meets our requirements for our ALJ decisions? Does that
5 not miss timelines, if we're only meeting every three
6 months?

7 PRESIDENT JONES: Mr. Jacobs.

8 GENERAL COUNSEL JACOBS: On your first comment,
9 Mr. Feckner, I believe it would still work with respect to
10 having committee meetings in off months from the Board
11 meetings. But you would just have a delay between the
12 time of the Committee action and the Board -- the Board's
13 adoption of that action.

14 As to your second question, it could create a
15 problem with the OAH matters. We do have certain time
16 limits that we have to meet. There may or may not be a
17 way to comply with those with special more limited
18 meetings with respect to the Board that would just focus
19 on that. There's also alternatives with respect to doing
20 that telephonically, or through multiple venues. But it
21 is a logistical issue to be sure.

22 BOARD MEMBER FECKNER: Well, and telephonically
23 doesn't allow the public to participate either.

24 GENERAL COUNSEL JACOBS: Well, it could, because
25 you could have it -- you could have -- you could notice it

1 for this room and the public could come here, while Board
2 members wouldn't necessarily have to be here. They would
3 still have to be in a place accessible to the public, but
4 you could have the public come here.

5 BOARD MEMBER FECKNER: Okay. I just think this
6 creates more problems than it fixes, so I recommend a no
7 vote.

8 PRESIDENT JONES: Okay.

9 BOARD MEMBER PEREZ: Mr. Jones.

10 PRESIDENT JONES: Mr. Miller.

11 BOARD MEMBER MILLER: Yeah. A couple things I'll
12 point out. The Committee meetings quarterly would be
13 distributed along with the Board meetings. So we really
14 wouldn't be reducing opportunities for the public, and we
15 would really be mostly focused on efficiency, and
16 effectiveness, and on reducing the burden, particularly on
17 Investment staff.

18 Also, this is the minimum. The Chair, at their
19 discretion, could add additional meetings, could schedule
20 more than four meetings, if necessary, if there are issues
21 of timing. If there are issues of timing versus Board
22 decisions. It's a model that challenges us to be more
23 agile, to be more flexible, to be making decisions as we
24 need to, rather than calendaring things that we may not
25 need to do, and which will create a bunch of additional

1 work unless we need to. But if we do need, we certainly
2 can. So I would urge an aye vote on this.

3 PRESIDENT JONES: Mr. Rubalcava.

4 BOARD MEMBER RUBALCAVA: Yes. My initial
5 question was on clarification, but I think it was
6 responded to. So I would just speak that we had our
7 deliberation yes -- earlier, and I would stay with the
8 initial. I think it would be -- it would have merit to
9 stay with the initial recommendation.

10 Thank you.

11 PRESIDENT JONES: Ms. Middleton.

12 Jason, hit your button.

13 BOARD MEMBER MIDDLETON: Yes. Thank you, Mr.
14 Chair. I believe I understand what the intention of Ms.
15 Pasquil Rogers is, which is to have all committee meetings
16 be a minimum of four times a year. I do think there are
17 still some clarity issues as to -- in the minds of many
18 people, as to exactly when would we be meeting, what
19 committees would be meet when.

20 And if she would accept a friendly amendment, it
21 would be that we ask staff to, both in terms of the legal
22 requirements and scheduling requirements, to come back to
23 us at the September meeting with a proposed agenda for
24 2020 that would reflect staff's understanding of what it
25 is that we are recommending, so that if there is any

1 confusion on the part of anyone, we will have a time -- an
2 opportunity in September to rectify any misunderstandings.

3 BOARD MEMBER PASQUIL ROGERS: I will accept that.

4 PRESIDENT JONES: Will you accept that friendly
5 amendment?

6 BOARD MEMBER PASQUIL ROGERS: I do. Thank you.

7 PRESIDENT JONES: Okay. So then that is the
8 motion that we will be voting on.

9 GENERAL COUNSEL JACOBS: Excuse me, Chair.

10 BOARD MEMBER BROWN: I have a request to speak.

11 PRESIDENT JONES: Wait a minute. We're not done.

12 VICE PRESIDENT TAYLOR: No, we're not done.

13 GENERAL COUNSEL JACOBS: President Jones?

14 PRESIDENT JONES: Yes.

15 GENERAL COUNSEL JACOBS: You need to make sure
16 that the second also is okay with the amendment?

17 BOARD MEMBER MILLER: (Nods head.)

18 PRESIDENT JONES: Mr. Miller concurs with it.

19 Thank you, Mr. Jacobs.

20 Okay. We're not finished yet.

21 Ms. Brown.

22 BOARD MEMBER BROWN: Thank you. I thought we
23 were going to a vote.

24 I, too, am confused. And Ms. Pasquil Rogers, I
25 started to hear you say that you had seen a calendar, and

1 that was my request yesterday. I think this is very
2 confusing and I don't know how we make this vote without
3 actually seeing how it's going to lay out, not only just
4 for the Board, but for our stakeholders as well.

5 And so my suggestion or maybe it's my substitute
6 motion, is that we holdover this discussion until we can
7 actually take a look at the alternate choices, because
8 yesterday -- I was not on the Committee, but yesterday, it
9 was very confusing on the motions, and the substitute
10 motions, and the substitute of the substitute motions.
11 And it was really quite confusing and I think it would be
12 much better if we held this over until we could see the
13 sample calendars and actually vote on what it's going to
14 look like at the later time.

15 PRESIDENT JONES: So are you making a motion?

16 BOARD MEMBER BROWN: Yes, to hold it over until
17 next month.

18 PRESIDENT JONES: Okay. So Ms. Brown made a
19 motion. Is there a second?

20 BOARD MEMBER PEREZ: Second.

21 PRESIDENT JONES: Second by Mr. Perez.

22 So the vote will be on Mrs. Brown's motion. And
23 she's saying no vote on the item as opposed to the
24 previous motion with the friendly amendment saying bring
25 back the details in September. So, Ms. Brown's motion,

1 all those in favor say aye?

2 (Ayes.)

3 BOARD MEMBER BROWN: Can we have an electronic
4 vote on all the -- on all the rest, please. Thank you.

5 PRESIDENT JONES: Okay. Let's take a vote on
6 that motion.

7 Well, wait a minute. I've got some more
8 speakers. Just a minute.

9 BOARD MEMBER BROWN: Okay.

10 PRESIDENT JONES: Just a minute. Sorry.

11 Ms. Taylor.

12 VICE PRESIDENT TAYLOR: Yes. Thank you. I -- I
13 think I -- I think we're running into the main sticking
14 point, which was something entirely different than we
15 talked about yesterday, the Board meetings. I think the
16 Investment Committee meetings that we were looking at
17 keeping down quarterly, and the rest of the meetings to do
18 quarterly make sense.

19 The Board meetings maybe we do need to see a
20 calendar, because I can foresee us having three days of
21 very, very full late meetings, if we only do quarterly
22 meetings.

23 So I think it's important that we consider that.
24 I mean, you know, I don't know if I -- if we need to vote
25 this through or come back for it. I hate to put it off to

1 September, because I think the main sticking point for me
2 and some of the other folks is the Board meetings. I
3 think if we extended the amount of Board meetings, and I'd
4 be happy to make another substitute motion, to extend the
5 Board meetings to retain the current schedule, and then
6 keep the Investment Committee and all the other committees
7 to quarterly, and then move on from there, because then we
8 can see whether or not staff even thinks we need all --
9 need all those meetings. It doesn't mean we have to have
10 those meetings. So I would like to make that as a
11 substitute motion.

12 BOARD MEMBER RUBALCAVA: I would second that.

13 PRESIDENT JONES: Okay. It's been moved by Ms.
14 Taylor and second by Mr. Rubalcava.

15 Ms. Taylor, would you restate your motion so
16 we're clear.

17 VICE PRESIDENT TAYLOR: So I would like to make a
18 motion to consolidate the schedule of monthly Board and
19 Committee meetings as follows:

20 Board meetings retain the current schedule, all
21 other committee meetings meet at least quarterly,
22 including Investments.

23 PRESIDENT JONES: Okay. That's the motion.

24 But we have several speakers. Is the request to
25 speak on Ms. Taylor's motion?

1 Okay. Mr. Perez.

2 BOARD MEMBER PEREZ: I think the goal here is to
3 balance our responsibilities as a Board as fiduciaries, as
4 trustees and free up staff, not just the Investment team,
5 but all staff to be able to do their day job what they
6 should be concentrating on. I think the balance of six
7 meetings a year is good. We're cutting that -- their time
8 in half, cutting it down to a quarter, I think, is
9 unacceptable

10 PRESIDENT JONES: Okay. Ms. Pasquil Rogers.

11 BOARD MEMBER PASQUIL ROGERS: Thank you, Mr.
12 Chairman. I -- you know, I just want to thank our
13 colleagues on this Board who worked for at least eight
14 months on trying to put this workstream together. They
15 talked with experts like Cari Dominguez. They talked with
16 stakeholders. And really this is an effort for us to be
17 more efficient, to do -- so that we can be better Board
18 members. But really when we delegate responsibility to
19 the staff that they have that -- the opportunity to do
20 their jobs.

21 And so I agree, Mr. Perez, I think that, you
22 know, I'd be willing to go to -- you know, to have this
23 conversation, but I believe that change, and sometimes
24 change is tough, is really -- is what is recommended. And
25 so I just -- I want to say that I understand that it would

1 be -- it would be better to see a calendar.

2 Ms. Brown, I hadn't seen a calendar. I had said
3 that I have seen calendars where there -- the committees
4 are scheduled in different months. And so I just hope
5 that when we make this decision, that we are thinking
6 about what's in the best interests of our mission, and
7 that is, you know, these guys making the most money they
8 can for this fund.

9 Thank you.

10 PRESIDENT JONES: Ms. Ortega.

11 BOARD MEMBER ORTEGA: Yeah. I just want to
12 clarify, Ms. Taylor's motion. So when you say the current
13 calendar, it would be the nine Board meetings, and the
14 offsite, and the Stakeholder Forum, is that correct?

15 VICE PRESIDENT TAYLOR: No, I think -- is it nine
16 meetings with the -- yeah, because we're getting rid of --

17 BOARD MEMBER ORTEGA: That's the current. -

18 VICE PRESIDENT TAYLOR: -- one of the offsites.

19 BOARD MEMBER ORTEGA: I just continue to think
20 that that's an excessive number of meetings to have 11
21 meetings a year of the full Board together. I think
22 the -- this entire effort was around, as Ms. Pasquil
23 Rogers mentioned of being more efficient, reducing the
24 number of Board meetings. I think there is a consensus on
25 the Board to reduce by some number. So I would hope that

1 we could be logical and work this out. We've had six
2 Board meetings on the table. That motion failed. We have
3 now back to 11 -- essentially 11, nine board meetings and
4 two other opportunities where we're all together. I think
5 what I will do is try yet another effort and maybe make a
6 substitute motion for seven meetings per year, including
7 the offsite and -- so that would be the -- there would be
8 an offsite, a Stakeholder Forum, and five Board meetings.

9 I think, Mr. Jacobs, I would like to understand
10 more if you think that 6 will keep us out of complications
11 around the appeals. I don't think it makes a lot of sense
12 to set a structure in place that we're constantly working
13 around with phone calls. And if you think it makes more
14 sense to have six standing Board meetings to address all
15 the business that is -- has to be accomplished on a
16 specified time frame, and then we did six plus the offsite
17 and the stakeholder forum, the Board would be together
18 eight times a year, the Investment Committee would be four
19 of those times under the current proposal. It feels to me
20 that eight times a year working the Committee -- other
21 committees work in there.

22 PRESIDENT JONES: You want to --

23 BOARD MEMBER ORTEGA: So I'm going to make that
24 motion.

25 PRESIDENT JONES: Okay.

1 BOARD MEMBER ORTEGA: I've worked it out myself.

2 (Laughter.)

3 BOARD MEMBER ORTEGA: I'm going to make a motion
4 to have six Board meetings.

5 BOARD MEMBER PEREZ: I'll second.

6 PRESIDENT JONES: It's been moved by Ms. Ortega
7 and seconded by Mr. Perez.

8 BOARD MEMBER ORTEGA: And let me just complete
9 the motion so everyone is clear what I'm suggesting.

10 PRESIDENT JONES: Okay.

11 BOARD MEMBER ORTEGA: Six Board meetings, one
12 offsite, one Stakeholder Forum, Four Investment Committee
13 meetings. All of the other subcommittees would be
14 scheduled along with those six standing Board meetings, so
15 that any Committee, subcommittee work would be able to be
16 acted on at that time by the Board. It seems to me that
17 over six meetings that work can be properly scheduled.

18 VICE PRESIDENT TAYLOR: Or at least quarterly, as
19 the language says here.

20 BOARD MEMBER ORTEGA: Sure. Sure.

21 VICE PRESIDENT TAYLOR: Okay.

22 BOARD MEMBER ORTEGA: Some subcommittees don't
23 need to meet quite as often. So that's my motion.

24 PRESIDENT JONES: Okay. So we have now a new
25 motion on the table. And Mr. Rubalcava, Ms. Brown, are

1 your comments on that motion?

2 BOARD MEMBER BROWN: Yes.

3 PRESIDENT JONES: Mr. Rubalcava.

4 BOARD MEMBER RUBALCAVA: Thank you.

5 I'll speak to the substitute motion. I -- we are
6 making quite a bit of change from the deliberation from
7 yesterday. And I was willing to go with Ms. Taylor's
8 motion, which was reducing the number of Investment
9 Committee meetings from six to quarterly, because I think
10 the discussion was to free up the staff to focus on
11 investments. We need to allow them that time and would
12 have less meetings of the committee.

13 However, to amend the number of Board meetings I
14 think is a little too much. We do have a fiduciary duty
15 to be on top of the business of this Board of
16 Administration and CalPERS. So I think -- I think the
17 current schedule is not overbearing. It's not monthly.
18 It's just nine, right? Nine as I understand it. So I
19 would -- I'm speaking against the substitute motion.

20 PRESIDENT JONES: Okay. Ms. Brown.

21 BOARD MEMBER BROWN: Thank you.

22 I did hear Ms. Ortega agree to say at least four
23 meetings -- is that at least four quarterly meetings.
24 I -- because I do have concerns about us being able to
25 fulfill our fiduciary duty with the investments with only

1 four quarterly -- with only four quarterly meetings. But
2 if it's at least, then I think I'm going to support your
3 motion, because I really do not believe we need nine Board
4 meetings. We don't need be flying up here nine times plus
5 2 -- two other meetings. I think that six plus the two is
6 great. So even though, I don't agree with the four for
7 Investment Committee, I'm going to try and get us to be
8 efficient.

9 Thank you.

10 PRESIDENT JONES: Okay. So I'm going to ask for
11 a vote on Ms. Ortega's motion.

12 Ms. Ortega, would you repeat your motion?

13 BOARD MEMBER ORTEGA: Yes. So my motion would
14 be --

15 PRESIDENT JONES: Hit your button.

16 BOARD MEMBER ORTEGA: Sorry.

17 It is six Board meetings. I'm just going to say
18 the total, six Board meetings, one offsite, one
19 stakeholder, at least quarterly Investment Committee
20 meetings.

21 PRESIDENT JONES: Okay. And --

22 VICE PRESIDENT TAYLOR: And at least quarterly
23 other meetings.

24 BOARD MEMBER ORTEGA: And the other subcommittees
25 at least quarterly as well. Yes.

1 PRESIDENT JONES: Okay. So everyone is clear on
2 the motion.

3 THE COURT REPORTER: Who was the second on that?

4 PRESIDENT JONES: Mr. Perez was the second on
5 that.

6 Okay. So that's what we're voting on. And the
7 request is to vote electronically, so --

8 MS. HOPPER: One second.

9 (Thereupon an electronic vote was taken.)

10 PRESIDENT JONES: The item passes. So all the
11 other motions are non-existent now. Okay.

12 Go on, Mrs. Pasquil Rogers.

13 BOARD MEMBER BROWN: Mr. Chair, I do have a point
14 of order on that.

15 PRESIDENT JONES: Yes.

16 THE COURT REPORTER: Microphone.

17 BOARD MEMBER BROWN: I'm not sure who our
18 parliamentarian is supposed to --

19 PRESIDENT JONES: Hit you -- wait, wait, wait.
20 Just a minute.

21 No. Okay.

22 BOARD MEMBER BROWN: So I do have a point of
23 order on that. I want to thank you for getting me our
24 Robert's Rules of Order book. But actually, it turns out
25 we had seven motions on the floor, and Robert's Rules only

1 allow for three. So I'm not sure if that's going to
2 affect what we just did there.

3 But again, if we're going to be doing this, we --
4 you're not allowed to have that many substitute motions
5 going at one time. So I'm not sure who our
6 parliamentarian is. Mr. Jacobs, I think it might be you.
7 But it is a problem.

8 PRESIDENT JONES: No, we did not -- yeah. We did
9 not have seven. We had -- actually, it was four motions
10 that I asked to be --

11 BOARD MEMBER BROWN: It should only be three,
12 so --

13 PRESIDENT JONES: And I understand it's --

14 BOARD MEMBER BROWN: Is that a problem?

15 GENERAL COUNSEL JACOBS: No, it's not.

16 PRESIDENT JONES: Okay. Thank you.

17 Okay. So the motion that we voted on passed. So
18 now we will move on to the next item, Ms. Pasquil Rogers.

19 Establish a consistent structure for Board
20 Committees meeting -- oh, wait. Never mind.

21 Pardon me.

22 All right. Let me see. Hold on.

23 Agenda Item 7d -- that was right. Okay. Okay.

24 Establish a consistent structure for Board
25 committees, meaning that the Investment Committee will no

1 longer be a committee of the Whole.

2 PRESIDENT JONES: Okay. On the motion of the
3 Committee. Are -- what's the pleasure of the Board?

4 Okay. We have speakers on this one, but Mr.
5 Perez.

6 BOARD MEMBER PEREZ: As we saw yesterday, there's
7 some people on Board Governance that really wanted to make
8 motions and contribute to the conversation, other than
9 just speaking on it. I think when it comes to an
10 investment, as specifically as our role, I think it's
11 reckless to lower our numbers. It should be a committee
12 of the whole.

13 PRESIDENT JONES: Okay. Okay. So that's the --
14 Mr. Miller.

15 BOARD MEMBER MILLER: Yeah. I'll just reiterate,
16 as I said yesterday, investments is, if not the most
17 important committee, you know, it is -- it really -- it
18 has to be the most important committee. The complexity,
19 the consequence of failures, the consequence of
20 indecisiveness, the consequence of not delving deeply
21 enough and bringing the talents of the Board to bear on it
22 in a concentrated way. And right now, we -- in effect, we
23 don't have an investment subcommittee. We have a Board,
24 and the Board meets. We need an investment subcommittee
25 of the Board to add that additional -- this is an additive

1 change. We're actually adding additional rigor,
2 additional resources, additional effort.

3 And to -- just like we do when subcommittees of
4 our committees are formed to put more of a focus, and
5 bring more specific expertise, and to hone things even
6 more before they come to the full Board. And the idea
7 that other Board members would not be able to
8 participate -- I mean, today, definitely shows that this
9 system works, when a subcommittee puts something together,
10 and even a workstream group beyond that subcommittee
11 focuses, brings things to committee, that subcommittee
12 brings things to the Board, and the full Board still
13 engages in a fulsome discussion and debate. And it
14 doesn't mean a rubber stamp of anything, but it does bring
15 a lot more scrutiny, a lot more concentrated effort, a lot
16 more thought to bear.

17 And if there's anywhere that we need that, it's
18 in Investment Committee. And we need to have a true
19 Investment Committee to bring things to the Board for the
20 Board to fully debate and make the final decision. So I
21 would urge an aye vote on this.

22 PRESIDENT JONES: Okay. The -- I see what the
23 problem is on the public speakers because on our agenda
24 for the meeting, it's one -- it's labeled one way, but the
25 reference yesterday is a different number. So that's

1 what -- why we're getting a little confused on -- because
2 you've asked to speak on an item that's not here, but I
3 think you want to speak on this item. So I'm going to
4 call you and see if that's the case.

5 Mr. Behrens, Mr. Koppes, Mr. Fountain, Ms.
6 Fatollahi, and Mr. Jelincic. So if you could just wait
7 for -- we're going to use these two seats here, and then
8 your wait your turn. And when you speak, you'll have three
9 minutes. Identify yourself and your association.

10 MR. BEHRENS: Thank You, President Jones, members
11 of the Board. Tim Behrens, President of the California
12 State Retirees. A couple of things that were said in the
13 last discussion I want to respond to first. Ms. Rogers,
14 the stakeholders, from my 40,000 members, were never asked
15 about the issue that was brought up that you gave credit
16 to the stakeholders getting that information about
17 changing the meeting schedule.

18 We weren't.

19 BOARD MEMBER PASQUIL ROGERS: I meant the school
20 employees. They spoke yesterday.

21 MR. BEHRENS: I don't know who told you that, but
22 we weren't asked.

23 BOARD MEMBER PASQUIL ROGERS: No, last night.
24 The school employees. Sorry.

25 MR. BEHRENS: And I have a question about Board

1 Member Ortega's motion. Was that for this year or for
2 next year? Because there was no year. There was only a
3 number of meetings. And if you go for this year, we've
4 already six meetings. So what did that motion mean?

5 PRESIDENT JONES: Practically, it's next year.

6 MR. BEHRENS: Okay. Well, it would be helpful to
7 me and the audience in the future if, when you make a
8 motion, you could have the whole motion read that would
9 make sense, at least. That would be helpful.

10 So let's go to this current issue. The 40,000
11 stakeholders that I represent, they expect this Board to
12 have our backs on our pension all the time, not just six
13 of you, not just nine of you, but all of you. I cannot
14 think of a logical reason why the entire Board would not
15 be on the Investment Committee. I just haven't heard that
16 argument made.

17 I think yesterday there was a lot of lively
18 debate. I'm a strong proponent of lively debate. I think
19 that shows a strength in a Board to have a debate and have
20 two sides of an issue debated. But when it comes to this
21 particular issue, I can't see any logic to why you want to
22 reduce the number of people. You say it won't make any
23 difference, because those other Board members that are not
24 on the Committee can still come to the Committee and
25 debate. So why eliminate them at all? It just doesn't

1 make any sense to me at all.

2 The other question I have, and maybe Mr. Jones
3 you can answer this, is how are the members of committees
4 selected? Is there some selection process that you go
5 through, or interviews, or using the strength of the Board
6 member for that particular committee, or how is that done?

7 PRESIDENT JONES: Okay. Finish your comment and
8 I'll answer your question when you're finished.

9 MR. BEHRENS: That's all. I'm finished.

10 PRESIDENT JONES: Yes. Yeah. The President is
11 responsible for assigning Board members to the various
12 committees. And to your point, one is the interest of the
13 member that have expressed an interest of being assigned
14 to a certain committee. And when there's more requests
15 than there are seats on that committee, it goes to that
16 strength, and longevity, and a number of other issues to
17 make that decision.

18 MR. BEHRENS: Thank you.

19 PRESIDENT JONES: Okay. Okay. Mr. Fountain.

20 MR. FOUNTAIN: I'm Jerry Fountain. I'm Chief
21 Financial Officer for California State Retirees. I'd like
22 to speak briefly about Item 7b, Robert's Rules of Order
23 versus Rosenberg's.

24 It was demonstrated quite obviously yesterday at
25 the Committee meeting and a little bit today that there is

1 a need for Robert's Rules of Order. It was presented
2 yesterday as a document that's 751 pages long, and
3 Rosenberg's is much more reduced in size and volume.
4 Unless you're a parliamentarian, that 751 pages means
5 something. But as a committee member, and I've served on
6 many committees, you don't need that level of knowledge
7 instantly. It's a great resource document, so I would
8 suggest that you stick with Robert's Rules of Order.

9 Having said that, when you get to Item 7d,
10 talking about the code of conduct, it was presented to the
11 Committee yesterday, based on Robert's Rules of Order.

12 Now, having decided to go to Rosenberg, does that
13 mean all the work that the Committee did previously is
14 null and void because there may be some conflicting
15 sentences in the two documents? And if there's nothing
16 that conflicts between the two documents, why move away
17 from Robert's Rules of Order? It's already in place and
18 it's the most common doctrine for conducting meetings with
19 almost every organization in this country, no matter if
20 it's a bridge club or if it's CalPERS Board. It's a
21 common document. Stick with it.

22 And in closing, I think we need to focus on the
23 consequences of conflicting motions. And I also believe
24 that the mainstream teams were tasked with coming up with
25 change, and so change was made for change sake, and not to

1 benefit the Committees, or the Board, or the stakeholders.

2 Thank you.

3 PRESIDENT JONES: Thank you.

4 Identify yourself and your organization.

5 Wait just a minute. Put her mic on.

6 There you go.

7 MS. FATOLLAHI: Good morning, Mr. President and
8 Board members. My name is Manijeh Fatollahi, California
9 State Retirees, District B Director. This is my first
10 time attending this CalPERS meeting. As Board of trustees
11 at CalPERS, I just wanted to thank your time, your talent,
12 your experiences for all the shareholders -- you know,
13 stakeholders.

14 It just -- yesterday you were discussing the code
15 of conduct, and the -- based on the Board Governance
16 Policy, and Robert's Rules of Order, and Rosenberg Rule of
17 Orders, it kind of look ambiguous, especially when Ms.
18 Simpson was talking about number 9 in that article,
19 that -- I think it said that it was almost 30 years old.

20 For me, it was a plain English language. But as
21 we asked our parliamentarian, Mr. Jacobs, he said he
22 didn't understand what it means.

23 The reason I'm here right now is that the -- I
24 notice, as audience, Chair, members were confused,
25 frustrated at some point and their motions several times

1 were overseen.

2 My question right now is that doesn't the
3 materials need to be discussed beforehand before any
4 CalPERS meeting? Like, we had closed session, to my
5 knowledge, for two hours that I heard is a ice cream
6 social.

7 I do agree with Mr. Miller that we do need
8 Investment subcommittee and -- for any particular motions,
9 items need to be discussed for any clarification
10 beforehand and then be discussed and brought up to the
11 audience.

12 Ms. Ortega talk yesterday that her heart is to
13 save money for the members. That's why I'm here. And I
14 know the motion has passed right now, but I think as
15 trustees, you need to do your job. You need to attend
16 every month. We don't need to cut back any months. And
17 if you're here, we need to work. And I don't think any
18 cutbacks. I know we need to save money on travel, but I
19 think we make enough money for travel for members who care
20 to be here.

21 And bottom line have proposed agenda before
22 meetings for any misunderstandings to fulfill the
23 fiduciary duties like Ms. Brown mentioned.

24 And I just thank you so much for giving me this
25 time.

1 PRESIDENT JONES: Thank you, Ms. Fatollahi. I do
2 need to clarify one comment that you made.

3 MS. FATOLLAHI: Sure.

4 PRESIDENT JONES: You mentioned that we were in
5 closed session for an ice cream social. That is not true.

6 MS. FATOLLAHI: I'm sorry. I heard.

7 PRESIDENT JONES: Okay. Thank you. All right.

8 MS. FATOLLAHI: You know, people talk.

9 PRESIDENT JONES: Okay. Thank you.

10 (Laughter.)

11 MS. FATOLLAHI: Thank you so much.

12 PRESIDENT JONES: Okay. Mr. Koppes.

13 MR. KOPPES: Good morning, members of the CalPERS
14 Board and staff. My name is Richard Koppes and I'm a
15 retiree of CalPERS. I served as your Deputy Executive
16 Officer and General Counsel for 10 years from 1986 to
17 1996. During that tenure, I also founded and ran the
18 world famous CalPERS Corporate Governance Program.

19 After retiring from CalPERS, I went on to work
20 part time as of counsel for a huge international law firm
21 as their governance expert, advising both their corporate
22 and nonprofit clients, both in this country and around the
23 world.

24 In addition to that work, I served as a
25 Governance Fellow at Stanford University's School of Law,

1 where I taught governance and ran a variety of governance
2 programs for the law school for 20 years.

3 Lastly, since my retirement from CalPERS in 1996,
4 I have served on a total of 12 boards, four corporate
5 boards and eight non-profit boards, including the NACD
6 national board, where I served with your consultant Cari
7 Dominguez.

8 I tell you all this just as a way of introduction
9 to why I am here today. And that is to strongly urge your
10 adoption of the governance reforms that your committee,
11 and staff, and consultant have brought forward that you
12 have debated here today. And I strongly -- firmly endorse
13 the motion that is now before the floor.

14 I believe these reforms will make this Board more
15 efficient and effective in its important oversight and
16 policymaking roles.

17 And if I can add, just on a personal note, how
18 fortunate I believe the Board is, and CalPERS in general,
19 to have your excellent executive staff here working for
20 you, especially your CEO and your General Counsel, who
21 holds the position that I used to have.

22 I thank you very much for allowing me to address
23 you today, and a special thank you for all of your service
24 to CalPERS and to we retirees.

25 Thank you.

1 PRESIDENT JONES: Thank you very much.

2 Mr. Jelincic.

3 MR. JELINCIC: J.J. Jelincic. When you look at
4 the transcript, assuming you choose to do so, you will
5 realize that the meeting schedule adoption was not
6 consistent with Robert's Rules of Order. It was not
7 consistent with Rosenberg's Rules. On the other hand, it
8 doesn't matter, because it's just a rule.

9 But what I actually came up to speak about was
10 the Investment Committee. One of the disadvantages of
11 having been around as long as I have, is I've got a lot of
12 historical knowledge. And I will tell you that for years
13 the Investment Committee was 13 people, the entire Board,
14 but it did not have final authority. So things would get
15 discussed on Monday, a decision would be reached, and it
16 would come back to the full board on Wednesday.

17 Very rarely, but occasionally, because of things
18 that developed in between, those motions were changed. So
19 I just want to point out that you can have all 13 people
20 on the Investment Committee and still have it come to the
21 whole Board simply me by taking away the Committee's
22 authority to make a final decision.

23 So you ought to put that into your thought
24 process. Thank you

25 PRESIDENT JONES: Okay. That concludes the

1 requests to speak on that item.

2 Ms. Brown.

3 BOARD MEMBER BROWN: Thank you. I want to agree
4 with what Mr. Behrens said from the California State
5 Retirees Association, that I, too, don't see any value or
6 any benefit to removing Board members from the Investment
7 Committee. We are fiduciaries. We are trustees. We are
8 responsible for the funds, all of us, all 13 of us
9 financially responsible. And I, myself, would not want to
10 be relegated to the role of observer and I wouldn't want
11 to do that to any of you.

12 So I'm going to make a substitute motion that we
13 keep the Investment Committee as a committee of the whole.

14 Thank you.

15 PRESIDENT JONES: Okay. So the substitute motion
16 is keep the Investment Committee as a whole. Moved by Ms.
17 Brown.

18 And is there a second?

19 ACTING BOARD MEMBER GREENE-ROSS: Second.

20 PRESIDENT JONES: Second by Ms. Rogers -- Ross.

21 So we're going to take a electric vote at the --
22 as requested on that particular motion.

23 All those -- you know, you vote.

24 (Thereupon an electronic vote was taken.)

25 PRESIDENT JONES: It's 10. Everybody is not

1 voting, so what's going on?

2 Who's not voting?

3 Okay. That's a no, so the item -- the motion
4 fails.

5 Okay. So now we go back to the original motion,
6 which was establish consistent structure for all Board
7 committees.

8 And Mr. Perez, did you second that motion, the --
9 that Ms. Pasquil Rogers made on -- who seconded that?

10 BOARD MEMBER PASQUIL ROGERS: Somebody did.

11 GENERAL COUNSEL JACOBS: It doesn't need a
12 second, because it's a Board -- its a Board motion, excuse
13 me a Committee motion, so it doesn't require a second.

14 PRESIDENT JONES: Yeah. Okay. Okay. So then
15 we're going to vote on the Committee motion then.

16 Okay. But as Mr. Jacobs mentioned, we really
17 don't need a second. It's a committee recommendation --
18 motion. So let's vote.

19 MS. HOPPER: Another electronic, Henry?

20 PRESIDENT JONES: Yes.

21 (Thereupon an electronic vote was taken.)

22 PRESIDENT JONES: So the motion fails --

23 VICE PRESIDENT TAYLOR: No. It's not on.

24 BOARD MEMBER BROWN: Wait, we haven't voted yet.

25 Oh, my, God.

1 PRESIDENT JONES: Oh. Okay. Okay. The motion
2 passes. Okay. So wait a minute. So who's not voting?

3 BOARD MEMBER FECKNER: Me.

4 PRESIDENT JONES: You abstain?

5 VICE PRESIDENT TAYLOR: You want an abstention?

6 BOARD MEMBER PASQUIL ROGERS: You have to hit
7 yellow don't you.

8 PRESIDENT JONES: Didn't want to vote

9 BOARD MEMBER FECKNER: I don't want to vote. If
10 I want to abstain, I'll abstain.

11 PRESIDENT JONES: Okay. But the item passes.
12 Okay. Ms. Rogers.

13 BOARD MEMBER PASQUIL ROGERS: Agenda Item 7d,
14 accept the recommendation to -- of Workstream 4 to develop
15 and adopt Board code of conduct.

16 PRESIDENT JONES: Now, that item we decided to
17 not actually vote on at the Committee. And that it was
18 referred back to the Workstream members to take another
19 pass with the -- from the Legal Office.

20 VICE PRESIDENT TAYLOR: This is just for the --
21 actually doing the work.

22 BOARD MEMBER PASQUIL ROGERS: So they can do the
23 work.

24 PRESIDENT JONES: Oh, do the work. Yeah. Okay.
25 So -- okay. But I just wanted to make it clear, because

1 it's not listed here what the work is, because we didn't
2 take action on the document itself. Okay.

3 So would you change my screen again.

4 MS. HOPPER: Okay. You're going to vote.

5 (Thereupon an electronic vote was taken.)

6 PRESIDENT JONES: So the item passes.

7 Okay. Thank you. Go ahead Ms. Rogers.

8 BOARD MEMBER PASQUIL ROGERS: Agenda Item 7e,
9 accept the recommendation of Workstream 5 to build-out the
10 technology platform Insight.

11 PRESIDENT JONES: On the motion of the Committee.

12 MS. HOPPER: You have a request to speak.

13 PRESIDENT JONES: Would you change my screen, so
14 I could call on her?

15 Pam, would you change my screen, so I can call on
16 her?

17 Okay. Ms. Brown.

18 BOARD MEMBER BROWN: Thank you.

19 From what I know since I was on the very
20 beginning parts of this workstream with this new Insight
21 tool, I think it will improve accountability and
22 transparency, because it supposedly will allow our
23 stakeholders, or anybody, the press, to get on and see the
24 documents more quickly or as available as we do. But I do
25 want to make sure that we reiterate that there is no

1 tracking, that people won't have to register, sign up, use
2 a password to get into the Insight tool, that anybody can
3 use that, Ms. Frost, and that it won't be required that
4 we're tracking who's using it and what they're looking at,
5 whether it be Board or the public?

6 CHIEF EXECUTIVE OFFICER FROST: Correct. I
7 did -- in addressing your question in Governance Committee
8 meeting yesterday, I did check in with Mr. Taylor, who is
9 managing the project for this implementation. And he did
10 concur that it has no tracking as you described.

11 BOARD MEMBER BROWN: Great. Thank you.

12 PRESIDENT JONES: Ms. Greene-Ross.

13 ACTING BOARD MEMBER GREENE-ROSS: Yes. And is it
14 possible - this is just a suggestion - that we could have
15 our Investment Committee consultants participate in the
16 project development to see if they had any suggestions of
17 how they could add information that would be of value to
18 the Board.

19 CHIEF EXECUTIVE OFFICER FROST: Yes. One of the
20 consultants approached me last evening and offered to
21 help, and so we -- yes, we would be happy to include them
22 in the project. And then, in addition, Controller Yee's
23 suggestion that we have a tab for consultant information
24 for the Board, that way you're able to easily distinguish.

25 ACTING BOARD MEMBER GREENE-ROSS: Great. Thank

1 you.

2 PRESIDENT JONES: Okay. So the motion from the
3 committee.

4 Take a vote.

5 MS. HOPPER: Okay. One second.

6 And this is on Workstream 5?

7 PRESIDENT JONES: Yes.

8 (Thereupon an electronic vote was taken.)

9 PRESIDENT JONES: Okay. The item passes. Thank
10 you.

11 Ms. Pasquil Rogers.

12 BOARD MEMBER PASQUIL ROGERS: Thank you.

13 The next meeting of the Board Governance
14 Committee is tentatively scheduled for September 17th.
15 Thank you.

16 PRESIDENT JONES: Okay. Thank you very much for
17 that work.

18 Now, we move to Agenda Item -- what time is it?

19 Okay. We've got time. Agenda Item 9, Assembly
20 Bill 731.

21 Mr. Brown.

22 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Good
23 morning, Mr. President and Board members. Danny Brown,
24 CalPERS team member.

25 We're bringing AB 731, authored by Assemblymember

1 Kalra, before you today with a support recommendation.
2 This bill expands on the individual and small group health
3 plan market data reporting and rate review by the
4 Department of Managed Health Care and the Department of
5 Insurance by generally applying this process to the large
6 group market.

7 I think it's a -- first, it's important to point
8 out that this bill only applies to the HMO plans we
9 contract with and not to our self-funded PPO plans, and
10 second, that it does not alter the CalPERS rate-setting
11 possess or the Board's rate-setting authority.

12 However, HMO plans that CalPERS contracts with
13 would be subject to additional reporting to the DMHC, and
14 DMHC would determine whether the methodology, factors, and
15 assumptions that the plans use to determine their rates
16 are unreasonable or not justified.

17 This review of methodology may provide CalPERS
18 visibility into plan rates from other large group
19 purchasers. It may also validate our own data and
20 experience with our own health plans. Essentially, the
21 bill is intended to create greater overall transparency
22 about how large group health plan rates are built. But
23 even though it may not give us any additional data that we
24 already get from our own plans, it does support the
25 visibility of the large group market.

1 Finally, as a contract holder, CalPERS could ask
2 DMHC to review the rate change by our health plans. Even
3 though I don't anticipate you doing that, you do have that
4 ability. This bill promotes greater transparency in the
5 large group health plan market, which is a principle
6 CalPERS has consistently supported.

7 With that, I'll answer any requests you may have.

8 PRESIDENT JONES: Ms. Greene-Ross.

9 BOARD MEMBER FECKNER: Your microphone is not on.

10 PRESIDENT JONES: It's on. Can you hear me?

11 BOARD MEMBER FECKNER: It's on now.

12 VICE PRESIDENT TAYLOR: No, it's on.

13 PRESIDENT JONES: Can you hear me?

14 VICE PRESIDENT TAYLOR: Um-hmm.

15 PRESIDENT JONES: Okay. Ms. Greene-Ross.

16 ACTING BOARD MEMBER GREENE-ROSS: Thank you.

17 First, this seems like it -- the staff think this
18 is well intended to increase transparency, and that's
19 wonderful. The Controller definitely supports that.

20 But I have a couple questions worried about
21 unintended consequences. But first and foremost, if this
22 is an important issue that if it could help on our rate
23 negotiation, is there a way, just generally process-wise,
24 where we don't wait till we have bills in the suspense
25 file at the end of August to be talking about them?

1 Because if we wanted to suggest amendments, we really have
2 like no more room to maneuver here.

3 And so this is being brought to the full Board.
4 And I wish the Health Committee could have discussed this,
5 so that we could really understand the value it would
6 bring to our negotiation process. So that's just a
7 suggestion of timing on key legislative issues that I
8 would hope that we could fold into our schedule earlier,
9 because of the legislative process.

10 But on this particular bill, I trust the staff,
11 and Health Benefits staff, in particular, has made sure
12 that it won't interfere with our rate-setting process on
13 our schedule. As I read through the bill and the bill
14 analysis, anybody can trigger the assessment by the
15 regulator on whether the rates that are being put forth by
16 the HMOs to the regulator. And -- it's the bill says it
17 has to be evaluated within 60 days and I know that DMHC
18 has current staff to do that for the small group rate
19 market. We have our own data on our own experience. But
20 I worry that would, and could -- and I'd like to ask the
21 staff that's worked on our health negotiation, if the
22 regulator approved rates that we were still negotiating
23 that we thought were too high, could that be used against
24 us in our negotiations? Could that be a problem? So I
25 have a question about letting DMHC in this role when we

1 have a fiduciary duty to negotiate for the rates as low as
2 possible.

3 I do understand that having more transparency of
4 lots of group plans out there available is a good thing,
5 but I just worry that it would affect the timing of our
6 decision making, should the trigger for their evaluation
7 of our own rates come at the wrong time. And secondly, if
8 they bless rates that we still think are too high, is that
9 going to be used against us, and how do we avoid that?

10 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Go
11 ahead.

12 INTERIM HEALTH POLICY RESEARCH DIVISION CHIEF
13 MALM: Kim Malm, CalPERS team member.

14 Certainly, if that trigger was pulled during the
15 rate-setting process, where we are in the middle of doing
16 all of that, it could take us away from doing that work.
17 However, we do believe in the transparency aspect of it
18 and we believe that that's all good stuff.

19 But there could be some timing issues and there
20 could be that you approve a number that they don't, as
21 opposed to them approving a number that you don't as well.
22 But we -- we agree with the transparency of it. The devil
23 is -- devil can be in the details.

24 And so when it would trigger and the type of
25 information that we'd be required to give is still under

1 question.

2 ACTING BOARD MEMBER GREENE-ROSS: I mean, I
3 appreciate that, but it -- but again, I'm -- there is a
4 risk.

5 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yeah.

6 INTERIM HEALTH POLICY RESEARCH DIVISION CHIEF
7 MALM: Um-hmm.

8 ACTING BOARD MEMBER GREENE-ROSS: That's an
9 unintended consequence that often happens with
10 legislation -- with well-intended legislation --

11 INTERIM HEALTH POLICY RESEARCH DIVISION CHIEF
12 MALM: Yes. Yes.

13 ACTING BOARD MEMBER GREENE-ROSS: -- is that the
14 regulator blesses a rate and we don't like the rate. And
15 the plans come back and use that, and we don't -- we get
16 put in a box. I mean, if I'm negotiating, I wouldn't
17 want -- I wouldn't want that, you know --

18 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yeah,
19 I mean I --

20 ACTING BOARD MEMBER GREENE-ROSS: -- used against
21 me. And that would definitely be a strong tool that they
22 would have to argue against them.

23 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I
24 mean, I think that -- I mean, it's kind of nuance in the
25 send that they're reviewing and making a determination

1 about the methodologies, and assumptions, and the factors
2 that the health plans are using, not necessarily the rate.
3 But obviously, if they question the methodology, that
4 would then trigger whether or not the rate that was set
5 based on that methodology is an accurate number.

6 But based on my understanding of the bill and
7 talking with folks is that it doesn't necessarily change
8 what the Board does, whether or not that put pressure on
9 the Board to change the rate or do -- come back with
10 something else. But it doesn't change what you can set or
11 tell you you can't set a certain rate once you've set it.

12 ACTING BOARD MEMBER GREENE-ROSS: That I
13 understand completely.

14 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yeah.

15 ACTING BOARD MEMBER GREENE-ROSS: But it's a
16 bargaining issue when you're negotiating rates on -- you
17 know, when you're sitting across, you know, an opponent
18 wanting one thing and they've got, you know, a statutory,
19 you know, regulator blessing, you're not in as good a
20 bargaining position. That's all. I'm just pointing that
21 out, that it's just a concern. I do understand long term
22 having the data out there is -- the transparency is ideal,
23 and the Controller definitely supports that concept.

24 But we also have a fiduciary duty to get the
25 lowest rates we can, and I wouldn't -- I just don't want

1 to have us be in that situation where we have given away,
2 you know, our ability to have good arguments for lower
3 rates. That's all.

4 CHIEF EXECUTIVE OFFICER FROST: Yes. I
5 completely understand your point, Karen -- or Ms.
6 Greene-Ross.

7 One of the things we are doing is looking back at
8 the process that we use, in May issuing preliminary rates
9 and then June bringing them to the Board on final rates.
10 We believe that that process is not working well. And we
11 are working with the health plans right now to see if we
12 can design a new process that might help address the issue
13 that you just described about putting transparency about
14 rates out there way too early. We firmly agree that the
15 rates that are given in May are inflated --

16 ACTING BOARD MEMBER GREENE-ROSS: Correct.

17 CHIEF EXECUTIVE OFFICER FROST: -- and we do not
18 want people taking action on those rates.

19 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I
20 think as was pointed out to me and what I was kind of
21 thinking too is there's nothing to review until the Board
22 adopts the rates. So I think really the fear is is if you
23 adopt a rate, it's out there now, and it's going to go
24 through the review process, and they're going to review
25 the methodology. It's just whether or not you've adopted

1 a rate that DMHC now comes in and says, oh, the
2 methodology the health plan used is not justified or is
3 unreasonable, but you've already kind of looked at it and
4 blessed it.

5 Now, my understanding is it's the same process
6 that California -- Covered California follows for their
7 individual and small group plans. And they've yet to have
8 DMHC say anything that they've approved has been
9 unreasonable or unjustified.

10 ACTING BOARD MEMBER GREENE-ROSS: And then I
11 guess the last question is if this -- this is believed and
12 perceived to be helpful to our process, why didn't we
13 sponsor it?

14 (Laughter.)

15 PRESIDENT JONES: Okay. All right. Ms. Taylor.

16 VICE PRESIDENT TAYLOR: I agree with Ms.
17 Greene-Ross. I just -- I'm wondering if we want to do a
18 support with -- because it sounds to me like there's a
19 possibility that CalPERS has a negotiation -- after we've
20 agreed to a rate, then the negotiation gets taken out of
21 our hands and DMHC can possibly then negotiate the rates
22 to what they think is appropriate or whatever.

23 I agree that we need the transparency. If we
24 have all large employer groups' transparency in terms of
25 rates, then we can compare them with what we're getting.

1 And I think that's great information. But is there a way
2 to do a yes on this and say, if CalPERS authority is left
3 intact?

4 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I
5 mean, we can offer -- I mean, the Board can offer up a
6 support, if amended. Obviously, it will be up to the
7 sponsors and author at this time to make that change. And
8 as Ms. Karen Greene-Ross has pointed out, it is kind of
9 late in the process. And part of that was the bill came
10 out of suspense in May with a number of amendments. And
11 we were trying to catch up on those. And this was kind of
12 the first opportunity to bring it back to the Board or the
13 Committee following those major amendments.

14 VICE PRESIDENT TAYLOR: So it's too late for
15 amendments?

16 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: It's
17 not too late. But I'm just saying we can make -- you can
18 make a motion of support, if amended. And again, it's --
19 we're just at the mercy of whether or not the author and
20 the sponsors are willing to take that amendment and put it
21 in the bill. But the bill can still be amended.

22 VICE PRESIDENT TAYLOR: Have we even talked to
23 the author about this?

24 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: We've
25 talked to him. And I've raised with them that, you know,

1 there are concerns about, you know, impeding on the
2 Board's authority. I don't think they necessarily view it
3 the same way that we do, and they feel that, you know, you
4 still have your rate-setting authority, and it doesn't
5 interfere with the rate-setting process, so I think there
6 may be a difference of opinion.

7 But obviously, if you take a position here, that
8 could change, you know, their interpretation.

9 VICE PRESIDENT TAYLOR: So -- because I think --
10 I think there's a couple of good things. I mean, I think
11 it's good that DMHC is doing this. It gives us more
12 information to compare to. But I also think it's been --
13 since I first started on the Board, there were a couple of
14 attempts by the administration -- previous administration
15 to take over our Board authority for negotiating health
16 rates. So I'm a little concerned about that. And I'm
17 wondering if I can offer -- rather than just accepting
18 this, that I offer an amendment that says we will accept
19 this, if amended. That it says something about our
20 authority -- you know, it protects our authority.

21 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Okay.
22 I probably just need a little bit more clarity as to what
23 that amendment would be. I guess it would probably -- you
24 don't want the DMHC to determine whether your health plans
25 that contract with CalPERS, whether or not those rates --

1 or those methodologies are unreasonable or not justified,
2 but all the other reporting is fine. Is that kind of the
3 thought?

4 VICE PRESIDENT TAYLOR: Yes. I --

5 ACTING BOARD MEMBER GREENE-ROSS: I'm sorry.
6 Could you say that one more time?

7 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Well,
8 I'm just trying to -- I'm wondering if the amendment is
9 support, if amended to exclude CalPERS health plans from
10 being -- having their assumptions and methodologies
11 reviewed by DMHC. So I don't know how that --

12 ACTING BOARD MEMBER GREENE-ROSS: You wouldn't
13 want to --

14 VICE PRESIDENT TAYLOR: Yes.

15 PRESIDENT JONES: Excuse me, Ms. Greene-Ross, you
16 need to be recognized.

17 ACTING BOARD MEMBER GREENE-ROSS: Sorry.

18 PRESIDENT JONES: Okay. Sorry. Okay. Are you
19 finished with your questions?

20 VICE PRESIDENT TAYLOR: So -- so we're saying --
21 say that again Danny, because I'm a little confused.

22 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: So I
23 think we can -- we can talk to them about just putting
24 something in the bill that states that nothing in this
25 bill would interfere with the Board's authority to set the

1 rates and -- over the CalPERS health plans, something like
2 that.

3 VICE PRESIDENT TAYLOR: So then we go to a
4 support, if amended.

5 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Right.

6 PRESIDENT JONES: Is that the motion?

7 VICE PRESIDENT TAYLOR: That's the motion.

8 PRESIDENT JONES: Okay. Is there a second?

9 BOARD MEMBER MILLER: Second.

10 PRESIDENT JONES: Second by Mr. Miller.

11 Okay. We have further requests to speak.

12 Mr. Feckner.

13 BOARD MEMBER FECKNER: Yes. Thank you, Mr.
14 President.

15 Danny, I think it needs to be spelled out very
16 clear and it needs to say in writing that CalPERS'
17 authority stays intact. If they're not willing to accept
18 that as an amendment, that means it's a bigger issue. So
19 if they're not willing to put it in writing, then I don't
20 think we should be supporting this at all.

21 And I know there are stakeholders in the room
22 that are pushing us to move this forward. I totally agree
23 with their premise. At the same time, they should be able
24 to help you get that language put in place. If they truly
25 are going to leave CalPERS alone and leave our autonomy

1 alone, it needs to be stated clearly.

2 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Okay.

3 PRESIDENT JONES: Mr. Miller.

4 BOARD MEMBER MILLER: Yeah. I'm all for
5 transparency, but my primary concern is that this,
6 directly or indirectly, could impact our position in terms
7 of setting rates and our negotiations.

8 The other thing, and I don't want this to come
9 across as casting aspersions on another agency, because I
10 have no direct experience with DMHC, but I do have direct
11 experience with our incredible team, our negotiating team,
12 our health care team, our actuaries. And I think we bring
13 capability and capacity to this subject that no one else
14 does. And I really don't see them, and I may be wrong,
15 but adding much value. But a lot potential -- downside
16 potential for them to impact our position, our
17 negotiations.

18 I don't think they have anywhere near the
19 actuarial and health care rate negotiation expertise that
20 we do. And I think they could potentially kind of gum up
21 the works for us.

22 I do have some direct experience with another
23 State agency in the realm of dental rates and stuff. And
24 I will tell you my experience was they do not have
25 actuarial expertise and have done -- set rates in ways

1 that are not actuarially sound. And so -- so I -- I'm
2 concerned.

3 As much as I value transparency, if this has the
4 potential to impact us adversely, directly or even three
5 degrees out from directly, we should be prepared to take
6 an oppose, if we can't get amendments that really inspire
7 confidence and assure us that it won't.

8 PRESIDENT JONES: Mr. Ruffino.

9 ACTING BOARD MEMBER RUFFINO: Thank you, Mr.
10 President.

11 I guess the first question would be the bill
12 analysis. I mean, have we thought about this unintended
13 consequences or is that just something that we're thinking
14 about it today?

15 With that said, in order to rein and understand
16 the rising premiums -- premiums, you know, we just need to
17 better understand how these prices are charged by the
18 hospitals, by the doctors, by the drug makers, because
19 that's what drives up premiums and overall system costs.
20 So it's incredibly -- so this measure essentially extends
21 this rate review and whether they're -- and makes the
22 determination of unjustified reasonable rates, you know,
23 to the employer and the large group market, and it adds
24 the disclosure and this transparency, you know, that --
25 for all products sold in the State of California.

1 So the State Treasurer in principle is -- favors
2 transparency and is definitely supporting. We are --
3 certainly, this new nuance about whether this can impact
4 our ability, it's something that we need to take into
5 consideration. So I hope that we can get an analysis or
6 an understanding to make sure that we safeguard our
7 options, you know, as the Board.

8 Thank you.

9 PRESIDENT JONES: Okay. Mr. Rubalcava.

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

12 Large groups, in general, have an advantage over
13 small groups in access to data and to negotiating,
14 understand the utilization, the rate-setting process, what
15 have you. CalPERS, as the biggest purchaser, has even a
16 greater advantage. So I think it's important that CalPERS
17 weigh in in support of the general universe, because it's
18 something we want to extend to everybody, like an even
19 playing field.

20 I don't think the bill, the way it's written,
21 will undermine that authority we have, so -- but I do
22 support Ms. Taylor's amendment to have language in there
23 that says it will not undermine or, in any way, prohibit
24 our rate review. And I think I stand in support of the
25 motion. And I would call for the question.

1 PRESIDENT JONES: Okay. Mr. Brown, would you
2 restate your understanding of the motion, so we all hear
3 the same thing?

4 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Well,
5 I believe it's support, if amended, as long as CalPERS'
6 authority to -- just CalPERS rate-setting authority stays
7 intact is kind of the general consensus I think I got from
8 Ms. Taylor and Mr. Feckner.

9 PRESIDENT JONES: Okay. So it was moved by Ms.
10 Taylor, seconded by Mr. Miller.

11 All those in favor say aye?

12 (Ayes.)

13 PRESIDENT JONES: Opposed?

14 Hearing none. The item passes.

15 BOARD MEMBER ORTEGA: Abstain.

16 PRESIDENT JONES: Oh, note Ms. Ortega's
17 abstention.

18 Okay. Then we have three speakers.

19 Ms. -- I mean, Mario Yedidia, Sara Flocks, and
20 Yasmin Peled. You will have three minutes to speak and
21 would you please identify yourself and your organization.

22 MS. FLOCKS: Thank you, Mr. Chair, members. Sara
23 Flocks. I'm from the California Labor Federation. We
24 represent two million union members in both the private
25 and public sector. We're one of the sponsors of AB 731.

1 And just first want to say we very much respect
2 preserving CalPERS' authority. We will take this position
3 back to our author, and, of course, ask about the
4 amendments. I do want to answer some of the questions
5 about how AB 731 works.

6 Our -- my co-sponsor will get into how Covered
7 California has lived under this regime for 2013 -- since
8 2013 doing negotiations. But the way that this bill works
9 is that for the experience rated groups, so for basically
10 the plans that CalPERS has, DMHC -- and not -- DMHC's
11 actuaries who we have met with are going to review the
12 methodology, so basically the formula where all our data
13 goes in and how these plans basically come up with what
14 the rate is.

15 Some of the -- our trust funds have come to us
16 and said, you know what, Kaiser, they're kind of a black
17 box, because we know we have our claims data. We know
18 what our utilization is. They somehow put that all into a
19 black box and come out with a rate that is just incredibly
20 high. So this is a little bit of having the actuaries
21 unlock that box and look at it.

22 The only people that can trigger a full rate
23 review in any way is the contract holder. That would be
24 PERS. No one else can ask for that for your plans. So
25 all that would be reviewed is the methodology. Your rate

1 negotiations, the rates that you agree upon, would never
2 be reviewed by DMHC, unless CalPERS specifically asked for
3 it.

4 I assume that, given the data and expertise that
5 CalPERS has, you will never ask for that. But a lot of
6 the funds that I represent probably will, because we just
7 don't have the same number of lives and power that CalPERS
8 has.

9 So that's the way we structured it. And we
10 structured it to make sure that we did not interfere at
11 all with CalPERS negotiations. Maybe give you a little
12 leverage, given you a little bit of a look across the
13 large group market. But really this is designed for the
14 rest of us who are 100 covered lives or greater, who just
15 do not have the same leverage, and really need that
16 transparency and expertise of the actuaries at DMHC to do
17 an analysis for reasonableness.

18 So thank you very much. We hope we can have your
19 full support.

20 MS. PELED: Good morning, Mr. Chair and members.
21 Yasmin Peled for Health Acces for California, California's
22 health consumer advocacy coalition. Thank you to the
23 CalPERS Board for your consideration of this measure.
24 Health Access is proud to co-sponsor AB 731 with the
25 California Labor Federation, UNITE HERE, SEIU California,

1 and the Teamsters.

2 AB 731 builds on existing and proven rate review
3 practices here in California by extending that review to
4 the large group market as you heard from Mr. Brown.

5 As Mr. Brown also mentioned, since 2013, Covered
6 California rates in the individual and small group market
7 have been subject to a full-fledged rate review, and
8 Covered California rates have never been found
9 unreasonable or unjustified.

10 Covered California, like CalPERS, is a
11 sophisticated purchaser and negotiates on behalf of about
12 1.4 million lives, which is roughly the same as CalPERS.
13 AB 731 will not impact CalPERS' rate-setting authority,
14 and will simply look at the underlying methodologies of
15 how rates are set, which could bring greater transparency
16 of the entire market, and we hope allow CalPERS to
17 actually negotiate an even better deal for your members.

18 For these reasons, we respectfully request that
19 the CalPERS vote -- CalPERS Board - excuse me - votes to
20 support AB 731.

21 Thank you.

22 PRESIDENT JONES: Thank you.

23 MR. YEDIDIA: Good morning, Mr. President,
24 members. Mario Yedidia from UNITE HERE, the hotel,
25 casino, and food service workers union, here to ask for

1 your support on this matter.

2 Our members are in labor management trust funds
3 and also in collectively bargained health care agreements
4 that large employers buy. Look, in a place like Nevada,
5 where our Union buys health care for a quarter of a
6 million people in Las Vegas, we have the market power and
7 the ability to negotiate our rates directly with
8 providers. We believe in that face-to-face -- we know
9 that across-the-table negotiation, that Ms. Greene-Ross
10 you were talking about. That's the world that we live in.
11 That's how we negotiate our health care rates.

12 This bill does not threaten either CalPERS
13 ability to do that. All it does is provide 10 million
14 Californians, in the large group market, with some
15 semblance of bargaining power against Kaiser. It has
16 eight million covered lives, \$21 billion in cash reserves.

17 When we're buying health care for 30,000 hotel
18 workers in San Francisco, we have no bargaining power
19 against that. The methodology review, you know, is
20 something that again respects CalPERS ability and all
21 contract holders, as Ms. Flocks mentioned, ability to
22 negotiate face-to-face with your insurance providers, your
23 HMO providers.

24 And we respectfully request your full support of
25 this bill. Thanks

1 PRESIDENT JONES: Thank you very much.

2 Okay. So now we will move to Item 9b. But we
3 want to first get our -- the Board's independent counsel
4 on the phone, Mr. Chirag Shah. Is he on? And before I
5 call --

6 MR. SHAH: Yes.

7 PRESIDENT JONES: Are you there, Mr. Shah?

8 MR. SHAH: Yes. Yes, I am.

9 PRESIDENT JONES: Okay. Good.

10 MR. SHAH: Good morning, Mr. President and
11 members of the Board.

12 PRESIDENT JONES: Yeah. Thank you.

13 Before I call on Ms. Taylor for 9b and 9c --

14 ACTING BOARD MEMBER RUFFINO: Did we vote on
15 that? Point of order.

16 PRESIDENT JONES: Yeah, we did.

17 (Laughter.)

18 PRESIDENT JONES: We want -- Mr. Shah has a
19 couple of comments.

20 Mr. Shah.

21 MR. SHAH: Okay. Thank you, Mr. President and
22 members of the Board.

23 Very quickly, I just want to inform the -- inform
24 Board members that we -- well, I want to note. I know
25 that Board members already know this, that we received

1 late submitted arguments by the members at agenda items
2 9b4 and 9c2. I have reviewed the arguments carefully and
3 they do not change my recommendation.

4 Thank you.

5 PRESIDENT JONES: Okay. Thank you, Mr. Shah.
6 Ms. Taylor.

7 VICE PRESIDENT TAYLOR: Thank you.

8 So then I move to adopt the proposed decisions at
9 Agenda Items 9b1 through 23 with the minor modifications
10 argued by staff. And I move --

11 PRESIDENT JONES: No. Just a minute. Let's
12 take --

13 VICE PRESIDENT TAYLOR: You want to vote on this
14 one?

15 PRESIDENT JONES: Yeah. Let's vote on that one
16 first.

17 So it's moved by Ms. Taylor.

18 BOARD MEMBER MILLER: Second.

19 PRESIDENT JONES: Second by Mr. Miller.

20 All those in favor say aye?

21 (Ayes.)

22 PRESIDENT JONES: Opposed?

23 Hearing none.

24 The item passes.

25 Okay. Ms. Taylor.

1 VICE PRESIDENT TAYLOR: Thanks.

2 So I also move to deny the petitions for
3 reconsideration at Agenda Items 9c1 through 9c3.

4 PRESIDENT JONES: Moved by Ms. Taylor.

5 BOARD MEMBER MILLER: Second.

6 PRESIDENT JONES: Second by Mr. Miller.

7 All those in favor say aye?

8 (Ayes.)

9 PRESIDENT JONES: Opposed?

10 Hearing none.

11 The item passes.

12 Thank you, Ms. Taylor and thank you, Mr. Shah.

13 MR. SHAH: Thank you.

14 PRESIDENT JONES: Okay. Okay. We've got time.

15 We will now move to information agenda items, 10a,

16 Stakeholders Report.

17 Mr. Pacheco and Mr. Fox.

18 (Thereupon an overhead presentation was
19 presented as follows.)

20 DEPUTY EXECUTIVE OFFICER PACHECO: Good morning,
21 Mr. President and members of the Board. Brad Pacheco,
22 CalPERS team.

23 As Ms. Frost mentioned in her CEO report, we do
24 have the results of our annual Stakeholder Perception
25 Survey. This may be new to some of you. We do this

1 survey once a year. And this includes our stakeholders,
2 our active and retired members, our employers, and the
3 stakeholders that you have seen come before you today
4 during public comment.

5 Joining me is the Division Chief of Stakeholder
6 Relations, Kelly Fox. And to my left is to David
7 Teykaerts. He's our Stakeholders Relation Manager. And
8 I'll turn it over to them.

9 STAKEHOLDER RELATIONS DIVISION CHIEF FOX: Thank
10 you, Brad. Kelly Fox, Division Chief of Stakeholder
11 Relations, CalPERS team member.

12 So the presentation you'll get today, we'll go
13 through as quickly as you need to. If there are
14 questions, please feel free to inject those questions as
15 we go through this. I'm going to turn it over to David
16 who's going to make the presentation. He is really kind
17 of the architect behind the survey itself, as well as a
18 couple team members we want to acknowledge in the
19 audience, Josh Robinson, Jamie Pope, if they would stand
20 real quick for -- they worked on this as well. So it's a
21 product of this team here at Stakeholder Relations.

22 So I'll turn it over to, David.

23 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Thank
24 you, Kelly. David Teykaerts, CalPERS team member. So
25 this is the summary of the annual Stakeholder Perception

1 Survey. As the name denotes, it takes a sample of the
2 stakeholder population, which for us we break up into six
3 different cohorts. I just want to note that this is not
4 just a survey that rates the effectiveness of the
5 communications in Stakeholder Relations function of
6 CalPERS, but really the whole enterprise, as far as it
7 extends external audiences. So I just want to make sure
8 that all the areas in CalPERS are recognized for their
9 efforts that they contribute to the members, employers,
10 and stakeholders of the system.

11 I'm going to move through the slides here.

12 --o0o--

13 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: So here
14 are the different cohorts that we separate out when we do
15 the stakeholder survey. We have active members and we
16 have relatively similar population sizes between public
17 agency employees, State employees, and school employees.
18 We have retirees, employer executives, which are really
19 that kind of like top four or five executives at the
20 different agencies. They go by different titles whether
21 that's City manager, or CFO, or director of finance, but
22 sort of like that C-Suite of the employer group.

23 We have -- we also sample the inactive members,
24 so folks who have some service credit with the system, but
25 are no longer currently employed by a CalPERS covered

1 employer.

2 And then we have employers all levels. So these
3 are folks who sign up to receive our employer bulletins,
4 our employer circular letters. Most often this is --
5 these are the folks who are out there in the employer
6 community who do the day-to-day transactional business
7 with CalPERS, the people who really have their fingers on
8 the keyboards and are interacting with us through
9 my|CalPERS, or they're working with our actuaries, or with
10 our health team, really more of that level. Although, it
11 can include folks from the higher levels as well.

12 And then the sixth category we've labeled here is
13 stakeholder leaders. Those are the folks many of whom
14 come and speak in public testimony to this Board in the
15 various committees. So these are the individuals who are
16 either the executive director, or the legislative
17 advocate, or in some other sense the representative of
18 larger groups that represent clusters of members,
19 retirees, employers, industry partners, at the State and
20 national level things of that nature. So a much, much
21 smaller cohort of people who many of you would know them
22 by face or by name, if you saw them.

23 You can see there the response rates that we sent
24 out on, approximately 107,000 surveys last year. These
25 are all online surveys. We do not do interviews. They

1 are very similarly worded, just slight, kind of like
2 syntactical changes in the questions to modify it to
3 employer versus member and the like, but they're very
4 similar, and it's 34 questions long. It takes less than
5 four minutes on average for folks to complete.

6 --o0o--

7 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: The
8 survey structure you can see we have eight long-term trend
9 questions, so named because they're simple yes/no
10 questions that we have data on going back quite a ways
11 from much previous iterations on this survey. We have
12 eight perception survey questions, which are more on a
13 Likert scale, which is that common strongly agree versus
14 strongly disagree, neutral, et cetera.

15 We have one question on the overall perception.
16 And then we have a lot of open-ended questions, where they
17 can give us their thoughts in extended form. And then
18 demographic questions, so we can kind of suss out, okay,
19 by -- where they live in California or if they don't live
20 in the State, how close are they to retirement, or how
21 long have they been retired, just trying to kind of tease
22 out some more information that can be useful to us as we
23 try to gear our outreach, communication, and customer
24 service efforts in the best way possible.

25 --o0o--

1 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Quick
2 note here on what was going on during the survey period.
3 So the time period here was February 2018 through May of
4 2019, so a little bit over a year. So if you'll recall
5 during that time period, we had change in State
6 administration. But in terms of CalPERS major policies,
7 we didn't have those sort of like sea changes that we had
8 had in the years prior. This is well after the decisions
9 that resulted from the asset liability management process.
10 So things like the discount rate change, the shorten
11 amortization policy, asset allocation, those things had
12 all occurred really over a year before that, and it had
13 been well established and pretty well understood by the
14 community. So it was a fairly calm period.

15 We did have the ongoing robust discussions of the
16 various private equity models. On the health care side,
17 we did have a little bit more action for these groups in
18 terms of the reduction in the health regions and the
19 elimination of risk adjustment.

20 And throughout this whole period on the outreach
21 and communications side, just an enormous amount of effort
22 to stakeholders of all these cohorts on pension costs, and
23 their options, and what's available to them in terms of
24 addressing their unfunded liabilities through prepayment
25 of those costs. So that was a major theme to all of these

1 groups during the time period.

2 --o0o--

3 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: So at a
4 high level, the general perception of CalPERS remains
5 positive across all of these groups. Eighty-six percent
6 of people when asked a simple binary yes or no question,
7 the average response was yes 86 percent of the time, and
8 that's the average of the whole.

9 So I think that's, in general, quite favorable.
10 Last year, the response was 82.2 percent yes. So we're
11 seeing a solid uptick there over year-to-year basis.

12 --o0o--

13 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Here's
14 some of the key findings. And before these, I'd like to
15 pause for a moment and acknowledge our policy and data
16 analytics area who performed this analysis for us. So
17 Stakeholder Relations administers the survey, but
18 different area of the organization performs the analysis,
19 so we have that objectivity between us. So I don't just
20 score myself very, very high and say congratulations me.

21 (Laughter.)

22 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: High
23 customer service scores continue to be the strongest
24 correlator to scores that are high across the Board. So
25 this has been our consistent finding for the last couple

1 of years is that the person who rates our -- who thinks
2 that our customer service is being managed well also tends
3 to think that we're good at almost everything else from
4 ethical operation, to being a good health care policy
5 advocate, and really everything else. The person who has
6 the positive feeling about our how -- how the customer
7 services is being managed, tends to think that we're doing
8 swell across the Board. So I think that's well worth
9 noting.

10 Again, the long-term trend question, that yes/no,
11 very high percentage will say yes. Our two highest rating
12 cohorts across the board are definitely retirees and those
13 stakeholders. We get a lot of contact with these folks.
14 Obviously, the retirees are drawing their pension
15 benefits, so that probably adds to the equation of
16 satisfaction as well.

17 The employer executives, that C level of the
18 employer community, has, for the last few years, been
19 consistently our lowest rated cohort. This is
20 unsurprising as these are the folks who are really looking
21 at the their budgets for their municipalities, for their
22 districts, and seeing rising CalPERS costs, and they feel
23 the pressures from their constituents on that. So it's
24 not necessarily a low score. As you can see, it's 5.58,
25 which is somewhere between -- you know, they somewhat

1 agree that we're doing a good job across the board, but
2 they're just under significant pressures in terms of the
3 cost that are necessary to fund the benefits.

4 And notably, as Marcie Frost mentioned in her CEO
5 comments, we did see a really significant increase in
6 overall confidence in retirement money being safe across
7 all the sectors.

8 So that was positive to see.

9 --o0o--

10 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Kind of
11 diving in a little bit here. So here, we're looking at
12 the trend of member scores. And just for convenience,
13 I've lumped in active members and retired members here.
14 That's what we're looking at here, the true core
15 membership, active and retirees. You can see that
16 everything is trending upwards. The blue column on the
17 right of each of the clusters is the most recent data.

18 --o0o--

19 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: For
20 employers, again for -- just for convenience, I've lumped
21 together the employer kind of leaders and the folks who
22 respond to the employer bulletins and get our circulars,
23 again, a general upward trend across all the metrics.

24 I would kind of direct your attention to the
25 third column in from the left, or the third cluster of

1 columns in from the left. That's the question about is --
2 are you confident in your retirement money being safe.
3 And you can see a really big uptick there from a very
4 sharp decline the year before.

5 Okay. So we are moving the needle on what had
6 been a concerning drop. That was actually -- if you can
7 kind of look at the background lines, actually more
8 employers last year had said that they weren't confident
9 in retirement money than had said yes. So we're back in
10 positive territory there, so that's very encouraging.

11 --o0o--

12 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: For the
13 stakeholder leaders, so again, these are the 85 or so
14 individual people who have a ton of skin in the game,
15 represent a lot of members, employers, retirees, or
16 otherwise, are players in national or State politics as
17 relates to pension, health care, and investments, you can
18 see the scores here. Again, generally very favorable.

19 I'm sure your eyes are drawn right to those
20 glaring red arrows. I would just note there that on those
21 two questions, especially the is CalPERS doing a good job
22 of keeping in touch with members and keeping them
23 informed, while we did decrease from last year, last year,
24 90 percent of people said yes to that.

25 Very rare to get 90 percent of any Americans to

1 agree on literally anything. So I would submit to this
2 Board that last year was the bit of the outlier there,
3 that it was -- I was happy to see 90 percent of people
4 think that we're doing a good job keeping in touch with
5 their members. But I wasn't surprised to see it dip a
6 little this year. And we're still on track for our
7 overall trend as this metric is attached to several
8 business initiatives.

9 --o0o--

10 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Here's
11 our commitment to stakeholders. These are part of our
12 message to stakeholders, specifically like on the
13 stakeholder team, and when the executives and leadership
14 are out talking to folks. Regardless of who they
15 represent, this is really our message to them. It
16 includes: We want to give you access to our leadership;
17 one message to all stakeholder groups; and again that
18 continued focus on customer service, because we know
19 that's really the bedrock upon which all the other things
20 are built.

21 --o0o--

22 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Lastly,
23 we have some opportunities and action steps that the team
24 here has agreed upon. This is what we see as areas of
25 focus going forward:

1 So communi -- continued communication and
2 messaging on what we're doing to shore up the fund, and
3 insert -- and to ensure the long-term sustainability of
4 this system; a focused effort on investment returns, the
5 importance of private equity as the projected highest
6 returning asset class and what that means to the fund and
7 what it means to employers in terms of potentially keeping
8 those costs under control; continuing to clarify the roles
9 of the administration in terms of who in the system has
10 control or access to which levers. There continues to be
11 some confusion about what CalPERS has the ability to do in
12 terms of benefit design and costs. So we're always out
13 there just clearing up the air on that.

14 We want to continue CalPERS leadership
15 participation. So Marcie has done dozens of meetings in
16 the last year. We want to continue that and have more
17 executive participation in that.

18 And then lastly, the importance -- the continued
19 emphasis on unfunded liabilities and what the employers
20 can do to address that in advance. And then lastly, the
21 focus on elected officials. So you'll notice that we
22 don't survey currently city council members, or mayors, or
23 school board members. So we're going to look to enhance
24 that, because they are key players in this equation too at
25 the municipal and local level.

1 So that completes my presentation. I'm happy to
2 take any questions at this time.

3 PRESIDENT JONES: Okay. Thank you for your
4 presentation.

5 We do have a questions. Mr. Miller.

6 BOARD MEMBER MILLER: Yeah. I'm -- I had a
7 couple questions. Like, on page eight and nine and on the
8 question, is CalPERS being managed well, it looks like
9 that's a pretty clear adverse trend, especially in the
10 more recent. And so I'm -- I guess, also with page nine
11 on the customer service, even though there's less data
12 points.

13 And so I'm curious what we're doing to kind of
14 drill down and determine what were the drivers, what were
15 the factors, and what are we doing to determine what was
16 driving that, if anything? You know, again with small
17 response rates and sample sizes, it can be tough. But
18 just what are the steps we're doing to follow up to see
19 what we can do to start turning some of that around.

20 STAKEHOLDER STRATEGY MANAGER TEYKAERTS: Thank
21 you for your question. So just real quick to address your
22 initial point. There are less data points on this. Prior
23 to 2017, we interviewed these folks via phone interviews.
24 So we really had more qualitative data on that. Starting
25 in 2017, we transferred over to doing them, and so that's

1 why we started getting the data in the same format.

2 So certainly, I think that we -- it is a small
3 stakeholder group. It is a small response group, so we
4 had a total of 18 responses. With that small of a data
5 set, you know, not knowing exactly which groups or folks
6 that represent the different sectors responded, it can be
7 difficult. Again, so we have employers, retirees, and
8 members. That's definitely the bulk of this group.

9 But we also have groups like representatives from
10 NASRA, NCPERS, other very large pension funds to kind of
11 round out the opinion making on this. And so it can be a
12 challenge to know what it is that they feel we weren't
13 sensitive to the needs of their stakeholders on.

14 Personally, so judging by the open-ended
15 comments, I got a little bit more insight into that.
16 There was a feel from some members that they weren't
17 getting information fast enough. That was one thing that
18 came out. So we really have put a paramount importance
19 now on as soon as -- really as soon as information is
20 releasable, as long as there's not a clear and very, very
21 compelling reason not to, we want to get that information
22 out, so that stakeholders can process that, and do what
23 they need to do in order to feel that their voice is being
24 heard at the appropriate time by the appropriate folks.

25 BOARD MEMBER MILLER: I messed it up. I'm sorry.

1 On page eight, the column one, same question, that's one
2 actually I was a little more concerned about, so...

3 DEPUTY EXECUTIVE OFFICER PACHECO: Say that one
4 more time, Mr. Miller.

5 BOARD MEMBER MILLER: Yeah. Page eight, column
6 one, is CalPERS being managed well? And that's the one
7 I'm more interested in what we're doing to see what's
8 going on with what is an overall adverse trend, and
9 especially in the last four or five columns there that are
10 the more recent. So it's the same thing, you know, what
11 are we doing to drill down and are there any initial
12 indicators, and what are the factors that contributed to
13 that?

14 STAKEHOLDER RELATIONS DIVISION CHIEF FOX: I'll
15 jump in on that. So one of the things that we've done is
16 bring the executives out with us. And, in fact, many of
17 the meetings we've had, the CEO has been there to talk
18 about how we are managing CalPERS. And the questions vary
19 from, you know, what are you doing to improve the funded
20 status, to what are you doing administratively? And those
21 are the things that we've done, and we're trying to focus
22 on, is getting our executives -- I think David mentioned
23 earlier we're trying to get -- whenever we have these
24 invitations to go to associations and a varied number of
25 associations, we're trying to get an executive. If we can

1 get the CEO to go to these meetings, given her busy
2 schedule, we try to make that happen, or we find a
3 surrogate and a lot of times -- I think Michael Cohen has
4 been out with us and some of the actuarial team members as
5 well.

6 BOARD MEMBER MILLER: Excellent. Thank you.

7 STAKEHOLDER RELATIONS DIVISION CHIEF FOX: You're
8 welcome.

9 PRESIDENT JONES: Ms. Middleton.

10 BOARD MEMBER MIDDLETON: Okay. I think these are
11 more comments rather than questions. But from my
12 experience in talking with numerous individuals in the
13 local government community, the primary concerns are -- is
14 the escalating cost ark, and the predictability of what
15 those costs are going to be. To the extent that we are
16 doing a better job, and I believe we are, in identifying
17 what the cost ark will be in the future and making our
18 costs more predictable, we are, I believe, going to be
19 very successful.

20 Mr. Fox and I had a meeting recently in the City
21 of Brea. And a council member who was extremely concerned
22 about the cost that we had - but a statement that I think
23 almost every elected official can relate to his
24 statement - if I know what the costs are going to be,
25 whether I like them or not, I can figure out how to get to

1 that number, but I have to know.

2 To the extent that we are getting out and
3 interacting, we are achieving success. Ms. Frost spoke of
4 her meeting with the Riverside County officials. There
5 was great skepticism on the part of the individuals from
6 Riverside County at the start of that meeting. By the
7 conclusion of that meeting, we had individuals who had
8 changed significantly in their level of concern. And that
9 came back frankly to Ms. Frost and how strongly she
10 presented that she, and the team at CalPERS, have a plan
11 for dealing with the issues and have the capacity to carry
12 out that plan.

13 And I think those are things that we need to
14 continue to emphasize. And I cannot say how important it
15 is that we demonstrate to the employer community that not
16 only is the plan in place, the team is in place with the
17 capacity to carry out those plans.

18 Thank you.

19 DEPUTY EXECUTIVE OFFICER PACHECO: Yeah. Thank
20 you for your comments, Ms. Middleton. I just wanted to
21 add to Mr. Miller's question. I do see an opportunity for
22 us to even drill down further on these questions, with the
23 Annual Stakeholder Forum that you just approved, or
24 forums. So we'll certainly look at that.

25 PRESIDENT JONES: Okay. Thank you for the

1 report.

2 And we are at a break period for our recorder, so
3 we're going to take a 10-minute break. So let's come back
4 at 10:18 -- 11:18, I'm sorry.

5 (Off record: 11:08 a.m.)

6 (Thereupon a recess was taken.)

7 (On record: 11:18 a.m.)

8 PRESIDENT JONES: I'd like to reconvene the Board
9 of Administration meeting, please.

10 So we moved Agenda Item 10b, Enterprise
11 Performance Reporting. Ms. Hutchins.

12 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
13 HUTCHINS: All right. Good morning, Mr. President and
14 members of the Board. Sabrina Hutchins, CalPERS team
15 member.

16 (Thereupon an overhead presentation was
17 Presented as follows.)

18 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
19 HUTCHINS: I'm joined with members of our executive team
20 to present to you the fourth quarter review of our
21 Enterprise Performance Report.

22 This report represents the second-year reporting
23 cycle of our current strategic plan for '17 through '22.
24 What we want to share with you today will be focused at --
25 on those indicators that are either at risk or off target.

1 --o0o--

2 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

3 HUTCHINS: Before we jump in, a little background. This
4 framework that this system works within aligns to our
5 foundation, which captures our mission, our vision, and
6 our values and in the simplest terms represents who we are
7 and what we want to achieve. This includes our strategic
8 plan goals, as well as our outcome measures, which
9 highlight our high-level operational expectations.

10 Depicted on this slide is a high-level visual of
11 our Enterprise Performance Management System, which
12 involves the development, implementation, monitoring, and
13 reporting of performance metrics in support of our
14 mission. The intent of this system is to reinforce
15 CalPERS desire to be transparent and accountable in
16 support of these strategic goals and operational
17 expectations.

18 As the system does incorporate a significant
19 amount of data and information, you do have the full
20 details of both the strategy and the operational reports
21 within your agenda item attachments.

22 However, the focus of our discussion will
23 highlight the strategic site of the house.

24 --o0o--

25 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF

1 HUTCHINS: A high-level visual of this status can be found
2 within Attachment A, which is a view of our strategic plan
3 alignment map. This will show you the connection between
4 our goals, objectives, measures, and initiatives.
5 Focusing again on the strategy side of the house, this map
6 reflects an overlay of status indicators of red, yellow,
7 and green, which indicate what is on target, at risk, or
8 off target. Additional details for each of these
9 indicators can be found within a Attachment C and D.

10 Our review and analysis of fourth quarter
11 information identified that 13 of our strategic measures
12 did refresh with new data. And those that are on target,
13 are related to our stakeholder assessment survey, access
14 to health care, overall health status, opioid dose and
15 duration, our CEM pension complexity and technology
16 capability score, as well as our compliance program
17 maturity assessment. These are all in the green.

18 We will speak to those that are at risk in just a
19 moment.

20 Of our 34 business plan initiatives, the majority
21 are in the green. We have one off target, and we will
22 speak to that in just a moment.

23 As of the close of this fiscal year, we have
24 completed nine business plan initiatives. Those completed
25 are related to our Actuarial Valuation System, phase 2 of

1 our Enterprise Business Continuity Plan, three health care
2 initiatives, increasing enterprise risk awareness, our
3 strategic risk measures, talent outreach activities, and
4 enhancing succession planning.

5 You will also have the indicators related to our
6 Information Security Office presented to you within closed
7 session today.

8 So as members of our executive team speak to
9 those indicators that are at risk or off target, the goal
10 is to provide you with the root cause of the status, as
11 well as any constraints and mitigation strategies
12 currently underway. Keep in mind this report is status as
13 of June 30th of this year and represents those items in
14 the forefront of our strategic priorities.

15 So with that, I will turn this over to Liana to
16 start us off within the health care affordability goal.

17 CHIEF INFORMATION SECURITY OFFICER

18 BAILEY-CRIMMINS: Thank you, Sabrina. Liana
19 Bailey-Crimmins, CalPERS team member.

20 Both performance measures that I will be
21 reporting on today are generated from the annual CalPERS
22 health satisfaction survey. In 2018, an anonymous survey
23 was sent out to 24,200 members. And the two health
24 measures that are deemed at risk are the self-reporting
25 related to diabetes management and timely access to mental

1 health services.

2 So for diabetes self-management, our survey
3 question basically asked members who are identified as
4 having diabetes whether they check their blood glucose at
5 least one a day. Our target is to have 70 percent of our
6 members be managing the -- to report yes and that they're
7 managing those levels.

8 Over the past four years, you will see that the
9 trend line has been going down. And in 2018, our metric is
10 now deemed at risk, and we're only at 51.3 percent. The
11 CalPERS team suggests revising the diabetes question,
12 because many members with diabetes may not be clinically
13 required to check their blood glucose levels at least once
14 a day, because their doctors believe they have their type
15 2 diabetes quite well controlled.

16 And because of this, and the way the question is
17 being asked, we believe that it may be creating a sampling
18 error. When we're trying to make sure that people are
19 managing, but if they don't have to do the daily check,
20 and we're asking if they do, it may be just creating
21 this -- a false positive.

22 So as a reminder to you and to our members,
23 CalPERS members copay covers diabetes self-management and
24 education and training. And when medically necessary,
25 finger sticks and testing supplies are also covered as a

1 part of that copay.

2 The CalPERS health team will continue to work
3 with our health plan partners to improve diabetes
4 self-monitoring through disease management and member
5 education and outreach.

6 --o0o--

7 CHIEF INFORMATION SECURITY OFFICER

8 BAILEY-CRIMMINS: The second at-risk measure is regarding
9 access to mental health services. And yesterday, during
10 the Pension and Health Benefits Committee meeting you did
11 receive a presentation for Dr. Julia Logan.

12 Our question on our survey basically asked, in
13 the last 12 months, how often was easy to get the
14 treatment or counseling you needed through your health
15 plan?

16 Our target is 80 percent, but we are currently at
17 risk, because we're at 65.8 percent. We believe the root
18 cause is that the current survey question is regarding
19 treatment or counseling is vague, and may not qualify as a
20 covered event or covered benefit. For example, health
21 plans do not cover marriage counseling. So CalPERS would
22 like to basically work with the plans and focus on what
23 qualifies as a mental disorder.

24 And based on the Board direction given yesterday
25 at the Pension and Health Benefits Committee, the health

1 team will be working with Smart Care California and others
2 to determine the best way to collect this metric.

3 That concludes my report on those two measures,
4 and I'm available for any questions.

5 PRESIDENT JONES: Okay. No questions. Proceed.

6 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
7 HUTCHINS: We're going to move to reduce complexity.

8 CHIEF FINANCIAL OFFICER COHEN: Thanks. Michael
9 Cohen. Good morning, members.

10 So we touched on this a little bit in the July
11 offsite, but let me come back to it. There are multiple
12 measures in the organization where we're trying to get at
13 something very similar in terms of how do you measure
14 efficiency in the organization?

15 This one in particular is targeted at the CEM
16 administrative cost per member. So you'll recall, CEM is
17 kind of a standardized way that we can compare ourselves
18 to other pension funds around the country. You see the
19 goal, the black line in front of you is to go down by two
20 percent a year.

21 There's really two main factors that cause us to
22 go the opposite direction increasing by two percent
23 instead. First is sort of the denominator in the
24 equation, which is the total number of members within
25 CalPERS. As you've heard this week, we have a fairly

1 mature member base. And so it's not going to swing
2 dramatically from one year to the next. Membership grew
3 by 0.3 percent in this period of measurement.

4 So what would happen if we had a really nice
5 increase in membership is the cost per member would go
6 down, assuming all of our costs stayed the same. However,
7 with a relatively flat membership base, basically all of
8 your cost increases are just going to increase your cost
9 per member.

10 And that's really what happened here is that the
11 vast majority of the costs from 16-17 to 17-18 were based
12 on the collectively bargained pay increases for our
13 employees here at CalPERS. So you see the trend line is
14 going in the wrong direction compared to the measure,
15 which I would say is likely to continue into the
16 foreseeable future, absent sort of a push from this Board
17 to make dramatic changes in the CalPERS operations.
18 Unless you're going to basically reduce our employee costs
19 by more than the negotiated wage increases, you're likely
20 to continue to see cost increases going forward.

21 So with that, I'm happy to take any questions.

22 PRESIDENT JONES: I see no questions. Thank you
23 for the report.

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

1 --o0o--

2 DEPUTY EXECUTIVE OFFICER HOFFNER: The item I'll
3 be speaking about is the leadership competencies
4 measurement tool. We talked about this at the offsite in
5 July as well. Just a little background, we had, in the
6 last budget, a proposal to go seek a new human resources
7 management system. We unfortunately had to cancel that
8 RFP in early June of this year after failing to get to
9 terms and conditions with two different vendors over a
10 period of time.

11 So what we've been able to do since then, which
12 has really thrown this into the red, is look at the
13 leadership competencies we've developed as an
14 organization, embedded those in all of the job duty
15 statements, and job bulletins, and advertisements, and
16 really trying to incorporate through all the parts of the
17 organization, in terms of the expectations we have of
18 every, not just leader, but every employee and team member
19 in this organization. So we've done that

20 We did develop a small pilot within the
21 Operational Technology Branch. There's approximately five
22 of us at the leadership level that looked at a tool that,
23 you know, was internally developed. We're looking to roll
24 that out in the current 19-20 fiscal year within the
25 organization. And we don't currently have plans in the

1 current budget for that new system. And so based upon the
2 late cancellation, we're going to reevaluate kind of the
3 work that we're doing in that arena. But I wanted to sort
4 of highlight some of the things we have done.

5 The other piece includes, you know, union
6 notification related to competencies across the
7 organization for all of the team members, as I mentioned,
8 and then looking to roll out a communication plan to the
9 affected individuals, as this will roll into performance
10 and development plans across the organization.

11 Happy to take any questions you may have.

12 PRESIDENT JONES: Okay. Thank you for the
13 report. No questions.

14 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF
15 HUTCHINS: All right. Very good then. If no other
16 questions about our process, we will see you again in
17 November for our first quarter report of the new fiscal
18 year.

19 PRESIDENT JONES: Okay. Thank you for the good
20 work. Okay. We now move to State and Federal Legislation
21 Update. Mr. Brown.

22 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: All
23 right. Good morning, Mr. President and Board members
24 again. State and federal leg. update. I have a number of
25 things to up-to-date you on, but I will try to get through

1 them quickly.

2 First, on the State side, the Legislature has
3 returned from their summer recess, and end of session is
4 September 13th, so we have about three and a half weeks
5 for them to get through their business.

6 For our two sponsored bills, first AB 672 by
7 Assemblymember Cervantes has been signed by the Governor.
8 This bill makes clarifying changes to working after
9 retirement rules for disability retirees.

10 And then our housekeeping Bill, SB 782, is
11 currently on the Assembly floor and is waiting for a vote
12 on the floor before going to the Governor.

13 One other bill I just want to touch on, since it
14 got a lot of discussion in June, was AB 1611 by Assembly
15 Member Chiu, that deals with balance billing. The author
16 has decided to make this a two-year bill. He is -- the
17 sticking point is the reimbursement to the hospitals by
18 the health plans for that care out of -- for the
19 out-of-network care. So we'll continue to watch that bill
20 and bring it to you next year, if necessary.

21 Moving to the federal update, I first want to
22 report that in July, the Trump administration dropped
23 their proposal to eliminate the safe harbor protection for
24 pharmacy rebates. I discussed this with you a number of
25 times over the last several months. Besides submitting

1 comment letters, we did visit with Speaker Pelosi's office
2 and with the HHS to communicate them our concerns how this
3 plan would impact our premiums for our retirees. So we're
4 glad to see that they dropped that proposal.

5 Congress is on summer recess and they will come
6 back in the middle of September. Before they left, you
7 may have seen that they did -- the House passed the Excise
8 Tax Bill, or the repeal of the excise tax 419 to 6.
9 Despite that, the Senate is not planning to take it up.
10 Senator Grassley has already come out and said that they
11 have other pressing matters. And since this tax doesn't
12 go into effect until 2022, he is going to go and spend
13 time on other things.

14 And one of those things though he is looking at
15 reducing drug prices, both the Senate Finance Committee
16 and the Senate Health Committee have passed out
17 legislation. The Senate Health Committee passed a bill
18 called the Lower Health Care Costs Act, a bipartisan
19 health care reform bill led by Chairman Alexander that
20 includes provisions designed to end surprise medical
21 billing, increase transparency and medical care pricing,
22 and increase competition in the prescription drug
23 marketplace.

24 The Senate Finance Committee has passed out a
25 bill called the Prescription Drug Pricing Reduction Act.

1 This bipartisan bill by Chairman Grassley and Ranking
2 Member Wyden is meant to lower Medicare and Medicaid
3 prescription drug cost through various strategies.

4 The discussion is that they'll kind of merge
5 these bills and there will be one large packet to vote for
6 in the fall. So we'll be looking to work with our new
7 Chief Health Director on how best to position CalPERS and
8 weigh in on those -- on that measure.

9 And then moving to -- moving to investments, I
10 just want to highlight a couple opportunities that we had
11 in July. First, the House Financial Services Subcommittee
12 had a hearing on building a sustainable and competitive
13 economy. James Andrus was able to testify in that
14 hearing, and focused on supporting enhanced ES -- ESG
15 disclosures to improve transparency and reduce risk.

16 This is -- was important, because this is the
17 first time that Congress has had a hearing on ESG
18 disclosure. So this gives CalPERS the opportunity with a
19 seat at the table to discuss ESG disclosures going
20 forward. It's not like -- likely anything will happen in
21 this Congress around these bills. But obviously, this is
22 a long-term discussion and we've established a seat at the
23 table.

24 And then following that in July, Don Pontes
25 participate in an SEC hosted roundtable discussing the

1 impact of short-term quarterly reporting rules on capital
2 markets and proposals that could encourage more
3 long-termism by management. Don stressed the value of the
4 10-K as a tool that promotes transparency, disciplines
5 management, provides valuable information that is subject
6 to a high level of rigor and promotes long-term growth.
7 He also encouraged the SEC to streamline the process to
8 minimize the impact on reporting companies, while also
9 integrating ESG disclosures into that framework.

10 And then lastly, I just quickly just point out --
11 these bills are listed in your documents. But we did send
12 letters in July on four -- in support of four health
13 bills, Senate Bill S -- or 340 by Senator Patrick Leahy,
14 the Creating and Restoring Equal Access to Equivalent
15 Samples Act, also known as CREATES Act; Senate Bill 1140
16 by Senator Tina Smith the Protecting Access to Biosimilars
17 Act; Senate Bill 1169 by Senator Cory Gardner -- Gardner,
18 the Ensuring Timely Access to Generics Act; and then
19 finally, Senate Bill 64 by Senator Amy Klobuchar, the
20 Preserve Access to Affordable Generics and Biosimilars
21 Act. So you can see a theme there all around generics and
22 biosimilars in trying to reduce drug costs.

23 And with that, I will stop and answer any
24 questions about my comments or anything that's in your
25 agenda -- or in the Board material.

1 PRESIDENT JONES: Okay. Seeing no questions.
2 Thank you very much, Danny.

3 Okay. We'll move to Summary of Board Direction,
4 Ms. Frost.

5 CHIEF EXECUTIVE OFFICER FROST: I noted one from
6 Mr. Feckner and that is to look at the popularity of some
7 of the classes that are being offered through the Employer
8 Education Forum and see if we can accommodate the requests
9 that are coming in on those filled classes.

10 PRESIDENT JONES: Okay. Thank you.

11 Now, we will go to public comment. We have a few
12 requests to speak. And I'm going to call the first two
13 up. Charity Bowman and Gaby Urdaneta.

14 MS. BOWMAN: Ladies and gentlemen of the Board,
15 my name is Charity Bowman. And I am an advocate of the Me
16 Too Movement. I am here on behalf of many CalPERS
17 employees, but one in particular, whose story you seem to
18 be blatantly ignoring.

19 I'm representing one of the victims in the J.J.
20 Jelincic sexual harassment case, where he was found guilty
21 by the Administrative Law Judge Teri L. Block 10 years
22 ago. The trauma and incurred by J.J.'s predatory behavior
23 is still so real and present, that J.J.'s victims cannot
24 physically be here in front of you to tell their story.

25 I'm here on behalf of a woman who has been so

1 stressed, that she has been physically ill because this
2 man may be reelected. This is not a victimless crime.

3 As the Board, your lack of action to protect the
4 men and women of CalPERS is infuriating. And I am angry
5 and so disappointed, because I shouldn't have to be here
6 saying this. We shouldn't still be fighting this fight.

7 This man needs to be held accountable and does
8 not deserve a seat on this Board.

9 These victims are having to relive their trauma.
10 And this is why victims don't speak out, because you have
11 shown that it doesn't matter. While this sexual
12 harassment case was being investigated, and after there
13 was a guilty verdict, this predator was being rewarded by
14 maintaining a position on the Board and his position in
15 investments with full salary and benefits. So the
16 taxpaying Californians are struggling to pay their bills,
17 and this Board basically rewarded this man with
18 essentially a paid vacation.

19 Jason Perez, in the August 2018 elections you
20 said I am a certified good guy. I'll hold the people
21 accountable. Why aren't you holding Jelincic accountable?
22 You're endorsing him on his website. Your job was to
23 protect and serve. So who are you protecting and whose
24 interests are you serving?

25 Margaret Brown, you are also endorsing J.J. on

1 his website. And I urge you to reconsider. Endorse us
2 the men and women of CalPERS.

3 I am here to empower these victims. The women in
4 this room are here to hold you accountable, and we will
5 continue to show up, and we will grow in number until we
6 are heard. You have repeatedly failed the men and women
7 of CalPERS. And we will not give up until we see results.
8 And we are here to hold you accountable.

9 Thank you.

10 PRESIDENT JONES: Thank you for your comments.

11 Next.

12 MS. URDANETA: Gabriella Urdaneta, CalPERS team
13 member and advocate of the Me Too Movement.

14 In continuation of my colleague's previous
15 testimony, we call on this Board to recall all monies
16 dispensed to Mr. Jelincic as reparation to California
17 taxpayers from the date of his guilty verdict until his
18 retirement in March 2019.

19 Recall and revoke any and all retirement benefits
20 acquired from the date of his guilty verdict until the
21 date of his retirement in March 2019.

22 Revoke Mr. Jelincic's eligibility to serve on
23 this Board effective immediately on the basis of
24 demonstrated conduct that is not in alignment with the
25 sworn duty of this Board to act in the best interest of

1 its members and employers.

2 Prohibit Mr. Jelincic from being permitted on
3 this campus on the basis that victims should not need to
4 live in fear that they will be further targeted by their
5 aggressor.

6 Issue formal and personal apologies to all of the
7 victims of Mr. Jelincic's sexual predatory behavior.

8 Provide monetary compensation for all personal
9 injuries associated with the trauma these victims endured
10 at the hand of their aggressor, Mr. Jelincic.

11 Develop and implement policies that would prevent
12 any one person from being above the rule of law.

13 Develop and implement policies that would
14 prohibit any individual who has been previously found
15 guilty of sexual harassment from being eligible to serve
16 on this Board.

17 It's been said that all that is necessary for
18 evil to prevail is for good people to do nothing. And so
19 we implore the good people of this Board to take a stand
20 and to do something. What we're asking is not too much to
21 ask for.

22 Holding peddlers of sexual harassment accountable
23 is not too much to ask for. Coming to work without the
24 fear of being preyed upon is not too much to ask for.
25 Governing with integrity is not too much to ask for. It

1 is imperative that this Board sends a clear message that
2 male privilege is not a get-out-of-jail-free card.

3 It is for these reasons that we ask that this
4 Board use its full might and weight to take firm stand on
5 crimes against women in the workplace.

6 Thank you.

7 PRESIDENT JONES: Thank you for your comments.
8 We do have a couple of Board members who wanted to make
9 some comments.

10 Ms. Taylor.

11 VICE PRESIDENT TAYLOR: Yes. Thank you, Mr.
12 President. Ladies, I want to thank you very much for
13 coming forward. I hear you. I'm not sure what we can do,
14 but I will work with Ms. Frost and our Chief Counsel to
15 see -- I get your demands. I'm not sure that in an
16 election we can do anything about that. And I wasn't here
17 when this behavior took place, but I hear what you're
18 saying. I understand what these women are going through,
19 and I don't condone this behavior in any way, shape, or
20 form. Again, I will confer with Ms. Frost and our Board
21 members to see if there's something that we can do to take
22 action.

23 Thank you

24 MS. BOWMAN: Thank yo.

25 PRESIDENT JONES: Mr. Perez.

1 BOARD MEMBER PEREZ: These are serious
2 allegations. And you said he was convicted -- or, I'm
3 sorry, you said was held --

4 MS. BOWMAN: Found guilty.

5 BOARD MEMBER PEREZ: -- to be -- found guilty in
6 an ALJ or in criminal court?

7 MS. BOWMAN: I'm sorry what was that?

8 BOARD MEMBER PEREZ: Through the administrative
9 law judge?

10 MS. BOWMAN: Yes.

11 MS. URDANETA: Yes.

12 BOARD MEMBER PEREZ: And do we have access to
13 that investigation or the report?

14 CHIEF EXECUTIVE OFFICER FROST: I will look into
15 it. But as Board members, you would have access.

16 BOARD MEMBER PEREZ: And I'm not -- by no means,
17 am I minimizing what you're saying happened, but I'm a
18 facts guys, so I'd have to see facts in order to make
19 anything.

20 MS. BOWMAN: Absolutely.

21 BOARD MEMBER PEREZ: That's it.

22 PRESIDENT JONES: Okay. Mr. Miller.

23 BOARD MEMBER MILLER: Yeah. I also want to thank
24 you for your courage in being here and bringing this and
25 to the victims. I think there are serious legal

1 constraints on what we as Board members, and we as a Board
2 can do. I've raised this before in a broader sense in
3 terms of us not really having the tools, constitutionally
4 or otherwise, to deal with failures of good behavior or
5 even egregious or criminal behavior. And that is
6 something that I'm hoping, in the long term, gets
7 remedied.

8 But what I would say to you is, for example, for
9 my part, I'm -- I, and I know others are on this Board,
10 are support and endorsing Henry Jones. And that is a
11 major, if not the most significant, part of my reasoning
12 for doing that, beyond just, you know, Henry's experience,
13 his knowledge, his commitment. He's been steadfast and a
14 solid leader, but his integrity is peerless.

15 And I think the message I would have, too, is
16 your -- is there's not much that we can do. There's not a
17 real role to play. But where there is something that we
18 can and could do, I would certainly support Ms. Taylor in
19 working to see what we could do and suggest that maybe
20 your communication to those others who have endorsed Mr.
21 Jelincic might be a better place to try to communicate and
22 have some dialogue.

23 PRESIDENT JONES: Mr. Jacobs.

24 GENERAL COUNSEL JACOBS: Yes. I would just
25 gently recommend to the Board that we not get drawn into

1 the electoral debate. You can obviously address the
2 comments, but I would -- you need to stay away from any
3 kind of electioneering or anything that can be interpreted
4 that way.

5 Thank you.

6 BOARD MEMBER MILLER: I apologize if I
7 overstepped.

8 PRESIDENT JONES: Okay. Thank you.

9 Ms. Middleton.

10 BOARD MEMBER MIDDLETON: I want to thank you for
11 coming in. What we know for every individual who speaks
12 up, there are dozens of individuals who are fearful and
13 unable to come forward and speak up.

14 I will join with Ms. Taylor in investigating what
15 are all of the legal options that are available to this
16 Board. I do believe those are limited in terms of the
17 number, but that investigation obviously has not started
18 yet. But again, thank you for coming forward, and for
19 making your voices heard.

20 Thank you.

21 MS. BOWMAN: Thank you.

22 MS. URDANETA: Thank you.

23 PRESIDENT JONES: Ms. Pasquil Rogers.

24 BOARD MEMBER PASQUIL ROGERS: Thank you, Mr.
25 President. Thank you, ladies for being here.

1 I know that it's not easy. Please know that I
2 stand with all people who feel like their voices aren't
3 heard. And I would like to join my colleagues to see
4 whatever we can do to help you.

5 Thank you.

6 MS. BOWMAN: Thank you.

7 MS. URDANETA: Thank you.

8 PRESIDENT JONES: Ms. Olivares.

9 BOARD MEMBER OLIVARES: Thank you. It takes
10 incredible courage to come here today. And for whomever
11 you'r representing who can't be here today, or maybe it's
12 many people, please extend that to them as well. I
13 understand this is very, very difficult. It's my first
14 Board meeting, so I'm sorry that I'm not up to speed on
15 this, but I look forward to learning more. And there's
16 never an excuse for criminal activity.

17 PRESIDENT JONES: Mr. Ruffino.

18 ACTING BOARD MEMBER RUFFINO: Thank you, Mr.
19 President. Real quick, we -- I echo all the comments that
20 have been made. But I just wanted to say not only thank
21 you for being here, we -- the Treasurer hears you loud and
22 clear. And the Treasurer did took action when it was
23 brought up to her attention. We do not know the history.
24 And it doesn't matter. This is not about a -- necessarily
25 about an individual, but this is about the whole concept,

1 the whole idea that the Board needs to wrestle with. And
2 we kind of implied it yesterday during the code of conduct
3 discussion, should we have something in that code of
4 conduct that addresses this very issue, because I don't
5 think this very issue has been addressed.

6 And, in general, our policy addresses there --
7 the arrestment and says that we should unequivocally make
8 it clear that we have zero tolerance period. Zero
9 tolerance means zero. It does not mean once, it's okay,
10 twice is okay. And I think this Board, in particular,
11 when we expect corporate America to claim their Board
12 rooms, and when we expect everybody else, and we tell
13 everybody else, and we threaten them with this big stick
14 and say, you know, look, we are CalPERS. And we want you
15 to do this X, Y, Z, and then in our very own house we
16 accept, and we tolerate, and we give a free pass.

17 You know, the old men club. Oh, but that's okay.
18 That's okay. You know, nobody is hurt. Nobody -- you
19 know, we are giving a pass. And this is not about one
20 individual. This is about the bigger picture.

21 The Treasurer is committed, has been committed
22 all of her career to zero tolerance to -- she -- as a
23 legislator she supported and sponsored legislation with
24 respect to domestic violence, and so on and so forth.
25 Anybody that knows her, knows that she's been in the

1 forefront in this dialogue in this fight from day one.

2 So this is nothing new, and that's why she took
3 action when it was brought up to her attention and asked
4 folks to reconsider.

5 With that said, I just hope that we -- as we move
6 forward, we think not only our fiduciary responsibility,
7 which is incredibly important, but we take all of our
8 responsibility serious and act upon.

9 Thank you, Mr. President.

10 PRESIDENT JONES: Thank you.

11 Ms. Lynn Paquin.

12 ACTING BOARD MEMBER PAQUIN: Thank you.

13 Thank you so much for being here and sharing your
14 story with us, and with the broader public. We really do
15 appreciate it. And on behalf of the Controller, we look
16 forward to working with Ms. Taylor and the rest of the
17 Board, and the staff on figuring out what we can do to put
18 an end to this.

19 Thank you.

20 MS. BOWMAN: Thank you.

21 MS. URDANETA: Thank you.

22 PRESIDENT JONES: Thank you.

23 Okay. I also wanted to thank you for the courage
24 to come and share this information with us. And I, too,
25 will be working with the rest of my colleagues to work on

1 some strategies to make sure that there is a safe
2 workplace for you. So there's no fear of coming to work
3 and providing the job that you would like to do. So I
4 would also work with them in that regards.

5 So thank you very much.

6 MS. BOWMAN: Thank you.

7 PRESIDENT JONES: Okay. So we now move to the
8 next request from the public, Mr. Ivy Felix.

9 And Mr. Al Darby, you can come down. You will be
10 next.

11 MS. FELIX: Hello.

12 PRESIDENT JONES: You'll have three minutes, and
13 if you would identify yourself and your organization.

14 MS. FELIX: Thank you for allowing me to be here.
15 I appreciate it. I'm here. I'm retiree of CalPERS. In
16 1998, I was divorced. I came in, provided all the
17 documentation that was required to have my ex-husband
18 removed from all of my benefits health, medical, vision,
19 dental, and beneficiary designee.

20 And they removed him from the health and the
21 vision plan. And until November of this year, when I
22 called in to verify that my health insurance would still
23 be affiliated with UC Davis Medical Group, I found out
24 that he was still on my dental plan. So for over 20 years
25 I have been paying for him to be on my Delta Dental Plan.

1 I called CalPERS. They told me to bring in a
2 copy -- they've lost a lot of documents from, I'd say,
3 '97, '98, '99, they were not putting things into
4 computers. So they have no copy of the divorce decree
5 that I brought in. They have no copy of the documents
6 that I brought in to have my husband removed from the
7 vision plan, but he is. They removed his sons from the
8 medical, dental, and vision plans, but they did not remove
9 him from the dental plan.

10 So for over 20 years, I have been paying for this
11 man to be on a dental plan who's been remarried twice.
12 And when I called CalPERS, I talked with a William
13 Collins, who with the first conversation when he told me
14 that they were not able to refund my money, because they
15 could not find these documents, that I know that I
16 personally brought in. I rushed in when I got them to
17 make sure that he was taken off. Those documents were not
18 found. He hung up in my face. I've called several times.
19 I've talked to Assemblyman McCarthy's office.

20 I got an email from Robin Kelly. And she says,
21 "I've confirmed with CalPERS who keeps referring me back
22 to CalHR, and changes -- and at CalHR and changes to
23 employee's medical plan is submitted to CalPERS, but
24 changes to an employee's dental plan is submitted to
25 CalHR", and that is not true.

1 I -- there are -- if you look online, you can
2 find all that information that we have filed whatever we
3 need to file with CalPERS. And CalHR is the
4 administrator. So for over 200 some odd months, they have
5 taken money from my retirement for my ex-husband to be
6 covered. And I'm looking for a resolution.

7 PRESIDENT JONES: Okay. Thank you. And I'm sure
8 Ms. Frost will have someone talk with you about that.

9 Okay. Mr. Darby.

10 MR. DARBY: Mr. Chair, Board members. Al Darby,
11 President RPEA.

12 Since you've elected to create an investment
13 subcommittee, I'd like to draw your attention to a recent
14 Boston College study that found that public pension boards
15 that have at least one investment expert, one finance
16 expert, and one actuarial expert can enhance investment
17 return by as much as 125 basis points.

18 You have that talent on this Board. I hope that
19 talent will be appointed to the subcommittee that will be
20 involved in the detail of creating good investment policy.

21 I'd like to make one other comment about what
22 just took place here. And that is that I would -- I
23 believe that the comments of the Board probably are
24 inappropriate in view of the fact that we're in the midst
25 of an election. I also believe that since the comments

1 have been made, Mr. Jelincic should have equal time to
2 come up here and defend himself.

3 Thank you.

4 PRESIDENT JONES: Thank you for our comments.

5 That concludes that public comment.

6 And before we adjourn today, I want to offer a
7 few remarks on behalf of the entire board. I want to
8 offer our deepest sympathy to our colleague and friend
9 David Miller who recently lost his wife.

10 David, we want you to know that your CalPERS
11 family is here for you during this difficult time. I
12 commend you for coming here this week and so soon after
13 your loss to participate in these meetings. So thank you
14 very much.

15 Mr. Miller.

16 BOARD MEMBER MILLER: Yeah. Than you, Mr.
17 Chairman. And I just want to thank everybody for your
18 support, your understanding. If I've been a little short,
19 if I've been a little distracted, I beg your
20 understanding. Some you may or may not have met my wife.
21 I think people who have known her remember her for
22 different things.

23 She was a mathematical genius with an incredible
24 enthusiasm for mathematics. Decided that it might be
25 interesting, and fun, and exciting to be an actuary, so

1 she studied and took the actuarial exam that had the
2 highest failure rate of all to see if she could do it,
3 passes with flying colors and was working on the next one.

4 So other people remember her as an artist,
5 extraordinary artists. Other people remember her as a
6 fashionista, and a seamstress, and designer of great
7 talent. Other people remember her as a rescuer of
8 animals, and people, and anyone that needed help and
9 rescuing.

10 But I think everyone remembers her, and I would
11 urge you to think in terms of her kindness. She was a
12 kind person. And I think what I would ask is be kind, be
13 kind to animals, be kind to children, be kind to old
14 people, be kind to each other, be kind to strangers, be
15 kind even to people who are not kind, because there's
16 nothing more she desired. And it's a high threshold.

17 For those of you who have known me long enough to
18 know me before I met my wife, Danita, I did not always
19 exemplify kindness and I still struggle to do so. But
20 that's the bar that I will be holding myself to. And
21 that's what I would offer in memory of Danita.

22 Thank you.

23 PRESIDENT JONES: Thank you so much.

24 Okay. The next item on the agenda is this
25 afternoon we have two items in closed session, one of

1 which is an information security update and cybersecurity
2 briefing, involving staff's work to protect the system.
3 In order to hold a closed session to consider matters
4 posing a potential threat of criminal activity against
5 CalPERS property or equipment, including electronic data,
6 and where disclosure would compromise CalPERS's security,
7 the Bagley-Keene Open Meeting Act requires at least
8 two-thirds of the Board to affirmatively vote in order to
9 utilize this exception.

10 So bases on the consultation with the Legal
11 Office, discussions concerning CalPERS information
12 security and cybersecurity qualifies for this closed
13 session exemption.

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

17 So what's the pleasure of the Board? I'm looking
18 for a motion and a second. And we need two-thirds vote to
19 do this.

20 BOARD MEMBER FECKNER: So moved.

21 BOARD MEMBER MILLER: Second.

22 PRESIDENT JONES: So moved by Mr. Feckner, second
23 by Mr. Miller.

24 So we will now thousand adjourn this meeting.
25 And we will start that closed session at 12:45.

1 MS. HOPPER: Don't forget to vote.

2 PRESIDENT JONES: Okay. All those in favor say
3 aye?

4 (Ayes.)

5 PRESIDENT JONES: Opposed?

6 Hearing none.

7 The item passes.

8 And we will convene the closed session at 12:45.

9 (Thereupon the meeting recessed into
10 closed session.)

11 (Off record: 12:01 p.m.)

12 (Thereupon the meeting reconvened
13 open session.)

14 (On record: 1:41 p.m.)

15 PRESIDENT JONES: Okay. No one is out there,
16 so -- okay. So the Board met in closed session today
17 pursuant to Government Code 11126 subdivision (c)(18)(A).
18 During the closed session, the Board received an
19 information security update and cybersecurity briefing on
20 staff's work to protect the system. The Board took no
21 action.

22 That completes the agenda and we now are
23 adjourned for the day.

24 Thank you.

25 (Thereupon the California Public Employees'

1 Retirement System, Board of Administration
2 open session meeting adjourned at 1:41 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, 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 27th day of August, 2019.



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