

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, NOVEMBER 20, 2019

9:00 A.M.

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

A P P E A R A N C E S

BOARD MEMBERS:

Mr. Henry Jones, President

Ms. Theresa Taylor, Vice President

Ms. Margaret Brown

Mr. Rob Feckner

Ms. Fiona Ma, represented by Mr. Matthew Saha

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. Lynn Paquin

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Michael Cohen, Chief Financial Officer

Mr. Christian Farland, Chief Information Officer

Mr. Douglas Hoffner, Chief Operating Officer

Mr. Matthew Jacobs, General Counsel

Ms. Donna Lum, Deputy Executive Officer, Customer Services  
& Support

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, Communications  
& Stakeholder Relations

Mr. Scott Terando, Chief Actuary

Ms. Marlene Timberlake D'Adamo, Chief Compliance Officer

Mr. Dan Bienvenue, Interim Chief Operating Investment  
Officer

Mr. Danny Brown, Chief, Legislative Affairs Division

Ms. Cara Buchanan, Board Secretary

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

ALSO PRESENT:

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

Mr. Brian Rice, California Professional Firefighters

Mr. Tim Steging, California Professional Firefighters

I N D E X

	PAGE
1. Call to Order and Roll Call	1
2. Approval of the November 20, 2019 Board of Administration Timed Agenda	2
3. Pledge of Allegiance - Henry Jones	2
4. Board President's Report - Henry Jones	3
5. Chief Executive Officer's Report (Oral) - Marcie Frost	7
6. Action Consent Items - Henry Jones	16
a. Approval of the September 18, 2019 Board of Administration Meeting Minutes	
b. Board Travel Approvals	
7. Information Consent Items - Henry Jones	17
a. Board Meeting Calendar	
b. Draft Agenda for the December 18, 2019 Board of Administration Meeting	
c. General Counsel's Report	
d. Communications and Stakeholder Relations	
8. Committee Reports and Actions	
a. Investment Committee (Oral) - Rob Feckner	17
b. Pension & Health Benefits Committee (Oral) - Rob Feckner	19
c. Finance & Administration Committee (Oral) - Theresa Taylor	20
d. Performance, Compensation & Talent Management Committee (Oral) - Theresa Taylor	23
e. Risk & Audit Committee (Oral) - David Miller	27
f. Board Governance Committee (Oral) - Henry Jones	29
9. Action Agenda Items - Henry Jones	
a. Proposed Decisions of Administrative Law Judges - Henry Jones	30
1. Kambiz N. Kamfirouzi	
2. Apple Valley Fire Protection District, Kenneth M. Sanders, and Stewart E. Dietro	
3. James J. Gregg	
4. Caprina D. Zarate	
5. Sarah M. Robinson	
6. Rebecca A. Vega	

I N D E X C O N T I N U E D

PAGE

7.	Michael J. Wurtz	
8.	Carla Harrison	
9.	Jason T. Cichoski	
10.	Latanya P. Lair	
11.	Gail A. Overhouse	
12.	Barbara C. Aske	
13.	Katherine Caramella	
14.	Suzanne B. Vlavianos (dec.)	
15.	Terri L. Seneris	
16.	Jodi L. Fanning	
17.	Kathryn Mattson	
18.	Shelley Lipe	
19.	Trina S. Rahm	
20.	Debbra M. Haven	
21.	Linda Alvarez	
22.	Kimberlee A. Dicks	
23.	Vanessa Alcaraz	
24.	Jose L. Rivera	
25.	Nabeel L. Bechara	
26.	Jonathan L. Michaelson	
27.	Terri L. Ray	
28.	Amanda K. Relva	
29.	Kristin L. Roots	
b.	Petitions for Reconsideration - Henry Jones	31
1.	Dudley J. Lang	
2.	Mark E. Bills and Judi Cutaia	
10.	Information Agenda Items	
a.	Enterprise Performance Reporting - First Quarter Update - Sabrina Hutchins	32
b.	State and Federal Legislation Update - Danny Brown	38
c.	Summary of Board Direction - Marcie Frost	43
d.	Public Comment	43
	Adjournment	58
	Reporter's Certificate	60

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

2 PRESIDENT JONES: I'd like to call the Board of  
3 Administration meeting to order.

4 And the first order of business is roll call,  
5 please?

6 BOARD SECRETARY BUCHANAN: Good morning.

7 PRESIDENT JONES: Good morning.

8 BOARD SECRETARY BUCHANAN: Henry Jones?

9 PRESIDENT JONES: Here.

10 BOARD SECRETARY BUCHANAN: Theresa Taylor?

11 VICE PRESIDENT TAYLOR: Here.

12 BOARD SECRETARY BUCHANAN: Margaret Brown?

13 BOARD MEMBER BROWN: Good morning.

14 BOARD SECRETARY BUCHANAN: Good morning.

15 Rob Feckner?

16 BOARD MEMBER FECKNER: Good morning

17 BOARD SECRETARY BUCHANAN: Matthew Saha for  
18 Treasurer Ma?

19 ACTING BOARD MEMBER SAHA: Good morning.

20 BOARD SECRETARY BUCHANAN: Lisa Middleton?

21 BOARD MEMBER MIDDLETON: Present.

22 BOARD SECRETARY BUCHANAN: David Miller?

23 BOARD MEMBER MILLER: Here.

24 BOARD SECRETARY BUCHANAN: Stacie Olivares?

25 BOARD MEMBER OLIVARES: Here.

1 BOARD SECRETARY BUCHANAN: Eraina Ortega?

2 BOARD MEMBER ORTEGA: Here.

3 BOARD SECRETARY BUCHANAN: Jason Perez?

4 BOARD MEMBER PEREZ: Here.

5 BOARD SECRETARY BUCHANAN: Mona Pasquil Rogers.

6 BOARD MEMBER PASQUIL ROGERS: Here.

7 BOARD SECRETARY BUCHANAN: Ramon Rubalcava?

8 BOARD MEMBER RUBALCAVA: Here.

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

11 ACTING BOARD MEMBER PAQUIN: Here.

12 PRESIDENT JONES: Okay. Thank you.

13 Next item on the agenda, can I get a motion to  
14 approve the timed agenda?

15 VICE PRESIDENT TAYLOR: So moved.

16 PRESIDENT JONES: Moved by Ms. Taylor.

17 BOARD MEMBER MILLER: Second.

18 PRESIDENT JONES: Second by Mr. Miller.

19 All those in favor say aye?

20 (Ayes.)

21 PRESIDENT JONES: Opposed?

22 Hearing none. The item passes.

23 Well, good morning again. And last week our  
24 nation celebrated a very sacred and special date Veterans  
25 Day. Veterans Day is more than just a national a holiday.

1 It's time that Americans can honor all those who served or  
2 are currently serving in our armed forces and those  
3 currently serving in reserve.

4 This morning we continue the celebration and  
5 honor of the veterans who are part of our CalPERS family  
6 and extended family of members, employers, and  
7 stakeholders. Please join me in welcoming to the stage,  
8 Manuel Gomez, or as we -- he's better known around here  
9 Chef Manny. Manny served in the U.S. Marine Corps for six  
10 years from 1979 to 1985. He's also the Executive Chef of  
11 our Cafe that feeds our team members and draws visitors  
12 from around Sacramento. Manny is going to lead us in the  
13 pledge.

14 (Thereupon the Pledge of Allegiance was  
15 recited in unison.)

16 PRESIDENT JONES: Thank you, Manny.

17 (Phone rings.)

18 PRESIDENT JONES: That's a reminder to --

19 VICE PRESIDENT TAYLOR: Yeah, everybody check  
20 their phones.

21 PRESIDENT JONES: -- check your phones. From  
22 last night, right?

23 Okay. Thank you, Manny. And I know -- now I'd  
24 like to acknowledge all the veterans in the audience --  
25 audience here today and ask them to please stand and be



1 recognized, currently, passed.

2 (Applause.)

3 PRESIDENT JONES: We are grateful to each and  
4 every one of you for your dedication, your courage, and  
5 sacrifice. And on behalf of the Board and all of us here  
6 at CalPERS, thank you for your service to our country.

7 On a personal note, I want to also thank Rob  
8 Feckner for his participation in our Veterans Day  
9 activities. Rob is responsible for our tradition of  
10 celebrating this special day at our Board meetings and  
11 providing special recognition to our veterans.

12 Two weeks ago, he and his grandson Charlie passed  
13 out American flags to our CalPERS veterans in the hallway  
14 outside the cafe.

15 And now please join me in welcoming to the stage  
16 CalPERS Patriot Chorus to perform a special song in honor  
17 of our veterans. Board members, will we move the two  
18 sides of the dais, so that they can come up.

19 (Thereupon the CalPERS Choir sang.)

20 PRESIDENT JONES: Thank our chorus for that  
21 rendition.

22 What happened?

23 Okay. We thank them for their rendition of  
24 helping us to honor our veterans.

25 CalPERS prides itself in embracing and supporting

1 diversity in our organization and in our work. So I'd  
2 like to acknowledge what today, November the 20th,  
3 observes. It is Annual Transgender Day of Remembrance.  
4 November the 20th honors the memory of transgender people  
5 who lives were lost -- where lives were lost in acts of  
6 anti-transgender violence. The week before this day marks  
7 Transgender Awareness Week to help raise visibility for  
8 transgender people and address the issues the community  
9 faces.

10 I want to thank Mrs. Middleton for bringing this  
11 to my attention. It demonstrates how having a diverse  
12 Board can raise attention to important diverse topics.

13 Ms. Middleton, did you want to make a comment?

14 Number six.

15 BOARD MEMBER MIDDLETON: Okay. I would like to  
16 thank President Jones and my colleagues and the staff at  
17 CalPERS for recognizing today.

18 Excuse me.

19 Today, marks the 20th anniversary of these  
20 memorials. So far this year, 21 lives have been lost.  
21 Nearly all of those murders were brutal and were intended  
22 to humiliate. So it is important that we take this  
23 recognition. I also want to acknowledge that today the  
24 Governor of the State of California has taken recognition  
25 of the day and is flying a ceremonial flag in recognition

1 of the loss of life.

2 Thank you.

3 PRESIDENT JONES: Okay. Thank you, Ms.  
4 Middleton.

5 The Board continues to make progress on its  
6 workstreams to improve our governance, performance, and  
7 accountability. In case you missed it, the Board  
8 Governance Committee approved our calendar meetings for  
9 next year. The committees will meet a minimum of four  
10 times a year, and the Board will meet an additional two  
11 times, once for our July offsite and in January to elect  
12 the President and Vice President of the Board. And also,  
13 as -- at the Health and Benefits Committee, I asked the  
14 Chair of that Committee and the Investment Committee Chair  
15 to work with Mrs. Frost to determine whether or not  
16 additional meetings may be necessary and how they may be  
17 inserted into the plan.

18 As I promised, we have also -- adding an annual  
19 stakeholder forum in January to facilitate greater  
20 dialogue between Board members and our stakeholders. Our  
21 Stakeholder Relation Team is beginning to plan this event  
22 and I know that they have reached out to many of you for  
23 input on topics that you would like covered.

24 We also got an update on the Insight Platform  
25 that is being built for the Board to house Board materials

1 and dashboards of vital signs to help in our oversight  
2 responsibilities. We expect an early version of the  
3 platform to be available next month and it will be  
4 enhanced through 2019 and 2020.

5 Thanksgiving wish. Let me close by wishing all  
6 of you a Happy Thanksgiving. We wish you and your  
7 families and friends a very special day together. And  
8 with that, I'll turn it over to our CEO Ms. Frost.

9 CHIEF EXECUTIVE OFFICER FROST: Thank you. And  
10 good morning, President Jones, and members of the Board.  
11 It's been over a month since we last met here in  
12 Sacramento. So I do have a number of updates for you this  
13 morning.

14 Monday's Investment Committee we had a discussion  
15 about the important roles that private equity and real  
16 assets play in helping us to achieve our long-term risk  
17 adjustment returns. It highlighted the need for the  
18 Investment Office to continue exploring all available  
19 opportunities in the private markets, including increasing  
20 our co-investment strategy. And again, that aligns with  
21 the long-term interest that we have here at CalPERS.

22 As you heard from Greg Ruiz and your independent  
23 consultants, the team does have the necessary skills to  
24 engage with the potential general partners in this area.  
25 They also have the skills to underwrite those potential

1 deals. It will take some time -- and again, I think you  
2 heard this from the independent consultants as well as  
3 from our team. It will take some time to do the pacing to  
4 get to the \$10 billion that's necessary in order for us to  
5 hit our eight percent policy target.

6 It is possible with the level of fund raising  
7 that is available. And we will continue to work on the  
8 relationships with our general partners. And I think  
9 we've heard loud and clear that minimizing the GP  
10 relationships to 30, that felt like a little bit of an  
11 artificial target. And it's more the quality of those  
12 relationships and we'll continue to pursue more of those.

13 You also received a sustainability update on the  
14 deliverables in the five-year strategic plan, which  
15 included some notable achievements in the areas of climate  
16 change and diversity and inclusion.

17 Of the 500 companies we engaged with regarding  
18 board diversity, all of those have at least one female  
19 director, and -- on their boards and 53 percent have at  
20 least one diverse director.

21 For those engagements that we felt did not result  
22 in positive outcomes, we used the proxy voting process to  
23 convey our priorities in the case of 255 directors at 97  
24 companies. And as an owner of those companies, we will  
25 tonight to use our proxy in the best interests of CalPERS.

1           We're also making progress on climate issues by  
2 integrating climate framework into our own portfolio and  
3 working with like-minded partners around the globe for  
4 meaningful change. One of the ways that we've done that  
5 recently is by joining a group of institutional investors  
6 at the United Nations. And our advocacy efforts all are  
7 working. The Climate Action 100+ initiative, which is an  
8 initiative that we co-founded, now has over 307 -- 370  
9 signatories and represents now more than 35 trillion  
10 assets under management.

11           We've also had some notable success in climate  
12 risk reporting with some of the biggest greenhouse gas  
13 emitters in the United States. And climate risk, when we  
14 talk about the risks to the system, climate risk is one of  
15 the top three risks that we've identified and we know that  
16 it's important to the long-term portfolio.

17           Whether I'm talking with members of the system  
18 about the safety of their benefits or I'm talking with  
19 employers about the rising contribution rates, there is a  
20 direct correlation between climate and financial impacts  
21 to the portfolio.

22           On Tuesday, at the Finance and Administration  
23 Committee, we reviewed the annual financial statements,  
24 which really are the foundation of the Comprehensive  
25 Annual Financial Report, also known as the CAFR. And the

1 CAFR will be accessible on our website in December.

2           And this report really provides the transparency  
3 about CalPERS's financial position, as well as disclosing  
4 all of the expenses of the fund including the investment  
5 expenses.

6           Turning now to some outreach and engagement.  
7 Back in October, I did participate on a panel about health  
8 care technology for top thousand funds. That is Amanda  
9 White. If you've read some of her pieces, she covers  
10 public pensions around the world. I think it was a really  
11 interesting discussion about the future of medicine and  
12 the role health technology investments will play in  
13 advancing care.

14           For my part on the panel, I was able to offer  
15 perspectives about CalPERS, because we are an investor,  
16 we're a health care purchaser, and we also administer a  
17 public employee pension plan.

18           On Saturday, I'll be headed to Southern  
19 California to talk with the Peace Officers Research  
20 Association of California, also known as PORAC. I want to  
21 thank Board Member Pere for this opportunity to meet with  
22 some of our first responders and tell them really what  
23 we're doing to secure their pensions.

24           Rounding out the year a few more events with very  
25 different groups. First, I'll speak on a panel for the

1 California School Boards Association at their annual  
2 education conference and trade show. That will be  
3 followed by a visit with the SEIU Board, which came at the  
4 invitation of their President Yvonne Walker. And then  
5 finally, I'll talk with members of the League of  
6 California Cities at their Municipal Finance Institute  
7 meeting.

8           Turning now to our annual fall activities that  
9 are really done within CalPERS and that State employees  
10 participate in on behalf of community nonprofit  
11 organizations. In early October, we kicked off the annual  
12 Our Promise campaign with a fundraising auction. Desserts  
13 are always popular here at CalPERS, and exhibits by a  
14 number of Our Promise nonprofits.

15           A couple of weeks ago we brought the Chili  
16 Cook-Off back, because that was really important to our  
17 team, and that was done during the lunchtime break. And  
18 more than 20 teams throughout the enterprise participated  
19 with all proceeds going to Our Promise.

20           I'd like to take a moment to thank Don Martinez  
21 and Forrest Grimes for leading this year's efforts as  
22 co-chairs of the campaign. They had a big team of  
23 volunteers working with them to host the events. And I  
24 know our employees look forward to these each year. It's  
25 part really of what makes working at CalPERS so special.



1           As we near the holidays, we're also participating  
2 in the State employees food drive that will last into  
3 January next year. Employees will be able to make food  
4 and monetary donations during the fundraising period,  
5 which will go to support the regional food banks and also  
6 provide support services to help individuals and their  
7 families who are really experiencing difficult times  
8 around the holidays.

9           Last year, we collected close to 45,000 pounds of  
10 food. And this year the goal is 50,000 pounds. In other  
11 internal activities, we did hold our first active shooter  
12 drill on campus earlier this year -- or earlier this  
13 month. And like other drills we hold, this is important,  
14 because employee and member safety on the campus is  
15 really, you know, our highest priority. So not just the  
16 campus here in Sacramento, but also in our regional  
17 offices around the state.

18           We had great partners in the California Highway  
19 Patrol, the Sacramento Police and Fire Departments, and  
20 the U.S. Department of Homeland Security. I'd like to  
21 thank them for taking a very active role in helping us to  
22 be knowledgeable as well as to be prepared.

23           And now before I close my report with the  
24 investment performance, I'd like to spend just a little  
25 bit of time talking about the 20th Annual Education Forum

1 that we held in Oakland at the end of October. And I'm  
2 glad that several of you were able to join us. We had  
3 another strong year of attendance at nearly 830 people, in  
4 spite -- despite the fact that some employers were not  
5 able to make it due to wildfires, as well as the threat of  
6 power outages in surrounding communities.

7 Over the last five years, we've hosted almost  
8 4,000 attendees at this forum, which continues to grow  
9 each year. Through educational sessions, one-on-one  
10 consultations and a packed exhibit hall, there were  
11 countless opportunities for attendees to connect with  
12 experts, with our team, get answers to their questions,  
13 and learn from their peers.

14 Excuse me.

15 Everywhere I went and had a number of  
16 conversations with people, and I hope you did as well, we  
17 were told -- I was told consistently how exceptional this  
18 particular event was. And the improvement that they felt  
19 that they had really seen was the way that the content was  
20 delivered by the team in those breakout sessions, and that  
21 it was really an improvement in quality from years prior.  
22 And for many of them they felt like this was the best one  
23 that they had attended.

24 And then for the second year in a row, we hosted  
25 a special session just for local elected officials. And

1 Board members, Lisa Middleton, Stacie Olivares, and  
2 President Jones were part of a discussion. And we -- you  
3 know, we're really there to help elected officials receive  
4 direct communication from us, as well as giving them some  
5 data that they could use and take back to their city  
6 councils or to, you know, their city administrators on  
7 what's happening at CalPERS.

8           And much of that session -- I didn't know whether  
9 we were going to get beyond this slide, but most of that  
10 session was really around the 20-year look-back of, you  
11 know, 20 years ago this system was in an over 100 percent  
12 funded status. So what had happened between, you know,  
13 that 20-year time frame to today, where we're roughly 70  
14 percent funded? So much of the discussion and the  
15 dialogue was really about looking at each one of those  
16 events to make sure that those events do not happen again.

17           We also did spend some time with them looking at  
18 the ten-year look ahead, because that's very important  
19 that we look at the things that we can control. You can't  
20 control what has already happened, but you can certainly  
21 learn from it.

22           One of the highlights of the forum each year is  
23 the spotlight on excellence award ceremony, which honors  
24 outstanding public service. This is a peer nominated  
25 award. It is evaluated by a CalPERS team. But it gives

1 employees a chance to nominate a colleague, an agency, or  
2 a program for recognition.

3           And this year's award went to Michelle Tucker  
4 with Caltrans. And Michelle is the Division Chief of  
5 their Human Resources Department. And she's obviously  
6 earned a lot of admiration and respect from her peers.  
7 And I'd actually like to have the video team, which this  
8 is a video that was produced completely internally have  
9 them roll the video, so that those of you who are not able  
10 to attend, as well as others in the audience, can see her  
11 award.

12           If you could roll the video, please.

13           (Thereupon a video was played.)

14           PRESIDENT JONES: So I think you can see that --

15           (Applause.)

16           CHIEF EXECUTIVE OFFICER FROST: -- yeah --

17 Michelle is very passionate and humble about the work that  
18 she does at Caltrans and is a great example for this  
19 award. We'll have the chance to feature another public  
20 servant, agency, or program at next year's annual  
21 Education Forum. And it will be held a little bit earlier  
22 next year. It will be held in September on the 30th --  
23 starts September 30th and will go through October 2nd.  
24 And that location will be in Anaheim.

25           So I'll close now with a monthly performance

1 update of the Public Employees' Retirement Fund and this  
2 is as of September 30th, 2019. The rolling one-year  
3 return of the fund is 5.9, the three-year return is 8.1,  
4 the five-year return is 6.4, and the ten-year return is  
5 8.4.

6 And in closing, I'd like to wish everyone a happy  
7 and safe Thanksgiving. And that does conclude my remarks,  
8 President Jones, but I am happy to take questions.

9 PRESIDENT JONES: Okay. Thank you, Ms. Frost.  
10 No questions.

11 We now will move to Agenda Item 6, approval of  
12 the September 18 Board of Administration Meeting Minutes.  
13 Do I have a motion?

14 VICE PRESIDENT TAYLOR: So moved.

15 PRESIDENT JONES: Moved by Mrs. Taylor.

16 BOARD MEMBER MILLER: Second.

17 PRESIDENT JONES: Second by Mr. Miller.

18 All those in favor say aye?

19 (Ayes.)

20 PRESIDENT JONES: Hearing -- those -- excuse me.  
21 So the item passes.

22 Also, Board members, note that in your packets --  
23 Mr. Feckner.

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

25 I just want to -- and I did vote to approve

1 those. I just want to remind all Board members to be  
2 extremely diligent on putting in your requests to travel.  
3 We just approved three travel requests that have already  
4 taken place. So I'd like to make sure that we're  
5 proactive in the future and put our requests in earlier.

6 Thank you.

7 PRESIDENT JONES: Yeah. Thank you, Mr. Feckner,  
8 for that reminder. However, these events occurred during  
9 the month that we didn't have a Board meeting, so the  
10 President has the authority to authorize the travel and  
11 then have the Board confirm. So they followed the process  
12 and sent it through the President. Okay. And for my  
13 case, the Vice President had to approve it.

14 Okay. Thank you very much. So that item passes.

15 Information consent items. I've not been asked  
16 to remove anything from the information consent items, so  
17 we will go to Committee reports. And the first one is  
18 Investment Committee. I call on the President -- the  
19 Chair, Mr. Feckner.

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

21 The Committee approved following:

22 The Investment Committee met on November 18th,  
23 2019. The Committee approved the following:

24 Agenda Item 7a, the Board Investment consultant  
25 interview subcommittee's recommended scores, and to award

1 contracts to Wilshire Associates, Incorporated for general  
2 pension consultant, and Meketa Investment Group for  
3 private equity, real estate, and infrastructure  
4 consultant.

5           Agenda Item 8a, staff's recommended revisions to  
6 the global fixed income and global equity investment  
7 policies.

8           The Committee received reports on the following  
9 topics: An overview of the roles, performance, and recent  
10 accomplishments of the Real Assets and Private Equity  
11 Programs; a first reading of the proposed changes to the  
12 Real Assets and Private Equity Program policies;  
13 modifications to the Affiliate Funds fixed income long  
14 liability benchmark; an update on the five year strategic  
15 plan for sustainable investments; and the annual report on  
16 CalPERS investments in California; the Chair directed  
17 staff to ensure the external managers are in compliance  
18 with the new sexual harassment training laws and to  
19 clarify the definition of Customized Investment Accounts  
20 in the next reading of the Private Assets Programs  
21 Policies.

22           The Committee heard public comment on the  
23 following topics: The Private Equity Investment Policy  
24 and CalPERS Sustainable Investments Strategy.

25           That concludes my report, Mr. President.

1           PRESIDENT JONES: Okay. Thank you, Mr. Feckner.  
2 The next report is the Pension and Health Benefits  
3 Committee. For that I call on the chair Mr. Feckner.

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

5           The Pension and Health Committee, PHBC, met on  
6 November 19th, 2019. The Committee received reports on  
7 the following topics:

8           The Committee received an update on mental health  
9 access and treatment among CalPERS members and information  
10 on current strategies about patient pharmaceutical  
11 spending. The Committee received public comment regarding  
12 the Dependent Eligibility Verification Program and the  
13 CalPERS Long-Term Care Program.

14           The Chair directed staff to: Report back to the  
15 Committee on CalPERS membership that may have been  
16 impacted by the DMHC corrective settlement with Kaiser;  
17 request Kaiser to respond to the issues that were raised  
18 during the mental health public comment from Kaiser's  
19 clinician and the National Union of Healthcare Workers.

20           At this time, I'd like to share some highlights  
21 of what to expect at the December meeting. The Committee  
22 will receive an update on the value-based insurance  
23 designs PERS Select plan and additional presentations on  
24 mental health from Anthem Blue Cross, Blue Shield of  
25 California, and UnitedHealthcare.



1           The next meeting of the PHBC is scheduled for  
2 December 17th, 2019 in Sacramento, California.

3           Thank you, Mr. President.

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

5           The next report is Finance and Administration  
6 Committee. For that, I call on the Chair Ms. Taylor.

7           VICE PRESIDENT TAYLOR: Thank you, Mr. President.

8           The Finance and Administration Committee met on  
9 November 19th, 2019.

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

12           Agenda Item 4b, approve the November 2019  
13 prospective report of solicitations, contracts, purchase  
14 orders, and letters of engagement.

15           PRESIDENT JONES: On a motion of the Committee.

16           All those in favor, say aye?

17           (Ayes.)

18           PRESIDENT JONES: Opposed?

19           Hearing none.

20           The item passes.

21           VICE PRESIDENT TAYLOR: Agenda Item 4c, approve  
22 an additional one-year contract term extension for the  
23 external investment manager contracts without a defined  
24 duration.

25           PRESIDENT JONES: On a motion of the Committee.

1 All those in favor say aye?

2 (Ayes.)

3 PRESIDENT JONES: Opposed?

4 The item passes.

5 VICE PRESIDENT TAYLOR: Agenda item 6a, approve  
6 the draft 2018-19 basic financial statements.

7 PRESIDENT JONES: On a motion of the Committee.

8 All those in favor say aye?

9 (Ayes.)

10 PRESIDENT JONES: Opposed?

11 The item passes.

12 VICE PRESIDENT TAYLOR: Agenda item 6b, approve  
13 the fiscal year 2019-20 mid-year budget. It's the first  
14 reading in the amount of 1.898 billion.

15 PRESIDENT JONES: On a motion of the Committee.

16 All those in favor say aye?

17 (Ayes.)

18 PRESIDENT JONES: Opposed?

19 The item passes.

20 VICE PRESIDENT TAYLOR: Agenda Item 6c, approve  
21 the post -- proposed amendment to the elected Board member  
22 percentage of time to be spent on Board related duties  
23 based on Board and Committee selections effective 1st,  
24 2019.

25 PRESIDENT JONES: On a motion of the Committee.

1 All those in favor say aye?

2 (Ayes.)

3 PRESIDENT JONES: Opposed?

4 The item passes.

5 BOARD MEMBER MILLER: Abstain.

6 PRESIDENT JONES: Note, Mr. Miller as abstaining.

7 VICE PRESIDENT TAYLOR: The Committee received a  
8 report on the following topic: Annual review of funding  
9 levels and risk report.

10 The Chair directed the staff to provide a  
11 breakdown of classic to PEPRA ratios for each type of  
12 plan.

13 The Committee heard public comment on the  
14 following topics: Annual review of funding levels and  
15 risks report.

16 At this time, I'd like to share some highlights  
17 of what to expect at the February Finance Administration  
18 Committee meeting: Annual Diversity Report and the  
19 Long-Term Care Valuation Report.

20 The next Meeting of the Finance Administration  
21 Committee is scheduled for February 2020 in Sacramento,  
22 California.

23 PRESIDENT JONES: Thank you, Ms. Taylor.

24 The next item is Performance, Compensation and  
25 Talent Management Committee. And for that, I call on the

1 Chair Ms. Taylor.

2 VICE PRESIDENT TAYLOR: Thank you.

3 Before I proceed with the Committee  
4 recommendations from yesterday's meeting, I have one item  
5 that the Committee approved at the September meeting, but  
6 was left off from the September summary, and therefore was  
7 missed being ratified by the full Board in September.

8 It's Agenda Item 4b. I propose and move the  
9 Board approve the following: Proposed revisions to the  
10 Board's Compensation Policy for executive and investment  
11 management positions. Approve the proposed revisions to  
12 the Board's Compensation Policy for executive management  
13 positions.

14 PRESIDENT JONES: On a motion of the Committee.

15 All those in favor say aye?

16 (Ayes.)

17 BOARD MEMBER BROWN: I have a comment.

18 PRESIDENT JONES: Yes. Ms. Brown.

19 BOARD MEMBER BROWN: Thank you. Does this go  
20 back to -- does this include the General Counsel's pay  
21 increase or -- I just don't -- I don't know if this 4b  
22 includes General Counsel. I don't think so, but I just  
23 want to be sure.

24 CHIEF OPERATING OFFICER HOFFNER: Good morning,  
25 members of the Board. Doug Hoffner, CalPERS team member.

1           So that -- I mean, I'm just going to look at the  
2 matrix. That's also going to come up in the second item.  
3 We ratified -- the Committee ratified that and it's  
4 addressed in Item 4b of the current, of yesterday's agenda  
5 eye.

6           BOARD MEMBER BROWN: So it's --

7           CHIEF OPERATING OFFICER HOFFNER: They're both 4b  
8 is the confusing part.

9           BOARD MEMBER BROWN: Okay. Thank you.

10          CHIEF OPERATING OFFICER HOFFNER: So it's in the  
11 second item.

12          BOARD MEMBER BROWN: Thank you.

13          CHIEF OPERATING OFFICER HOFFNER: Sure.

14          PRESIDENT JONES: Okay. So all those in favor  
15 say aye?

16          (Ayes.)

17          PRESIDENT JONES: Opposed?

18          Hearing none.

19          The item passes.

20          VICE PRESIDENT TAYLOR: All right. The Committee  
21 recommends and I move the Board approve the following from  
22 yesterday:

23                 Agenda Item 4b, Revision to the Board's  
24 Compensation Policy for Executive and Investment  
25 Management Positions. Approve the proposed revisions to

1 the Board's Compensation Policy for executive and  
2 investment management positions.

3 PRESIDENT JONES: On a motion of the Committee.

4 All those in favor say aye?

5 (Ayes.)

6 PRESIDENT JONES: Opposed?

7 (No.)

8 PRESIDENT JONES: Note Ms. Brown a no.

9 The item passes.

10 VICE PRESIDENT TAYLOR: Agenda Item 6a, Request  
11 for Proposal for the Board's Primary Executive and  
12 Investment Compensation Consultant: Scope of the  
13 Services, Timeline, Evaluation, and Subcommittee Process.  
14 Approve the scope of services, estimated timeline, and  
15 selection process for the request for proposal for the  
16 Board's primary executive and investment compensation  
17 consultant.

18 PRESIDENT JONES: On the motion of Committee.

19 All those in favor say aye?

20 (Ayes.)

21 PRESIDENT JONES: Opposed?

22 The item passes.

23 VICE PRESIDENT TAYLOR: Agenda Item 6b, Market  
24 Compensation Data Recommends -- Recommendations for the  
25 Chief Executive Officer Position. Approve option B with

1 an annual salary base range of 377,200 -- \$337,250 to  
2 \$628,750; an annual incentive range of 0 to 40 percent  
3 with a target of 27 percent; and a long-term incentive  
4 target of 27 percent. Additionally use the midpoint of  
5 the new salary range, 503,000, to set the annual base  
6 salary for the current CEO effective July 1, 2020.

7 PRESIDENT JONES: On a motion of the committee.

8 All those in favor say aye?

9 (Ayes.)

10 PRESIDENT JONES: Oppose?

11 (No.)

12 PRESIDENT JONES: Note, Mrs. Brown a no.

13 Thank you. The item passes.

14 VICE PRESIDENT TAYLOR: The Chair directed staff  
15 to provide the total compensation data for the Canadian  
16 U.S. -- and U.S. public pension funds, as well as base  
17 salary and incentive for the UC Regents Office of the  
18 President and Chancellors.

19 At this time, I'd like to share some highlights  
20 of what to expect at the next Performance, Compensation  
21 and Talent Management Committee meeting. The Committee  
22 will receive a semiannual status report on the Chief  
23 Executive Officer's incentive plan and review the  
24 Committee delegation.

25 The next meeting of the Performance, Compensation

1 and Talent Management Committee will be scheduled for a  
2 date to be determined in 2020 in Sacramento, California.

3 PRESIDENT JONES: Okay. Thank you, Ms. Taylor.  
4 The next item is Risk and Audit Committee. And  
5 for that, I call on the chair Mr. Miller.

6 BOARD MEMBER MILLER: Thank you. The Risk and  
7 Audit Committee met on November 19th, 2019.

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

10 Agenda Item 6a, Independent Auditor's Report for  
11 the Fiscal year 2018 through 2019. Approve the CalPERS  
12 Board of Administration's independent financial statement  
13 auditor's draft report and the accompanying required  
14 reports for the fiscal year ended June 30, 2019.

15 PRESIDENT JONES: On a motion of the committee.  
16 All those in favor say aye?

17 (Ayes.)

18 PRESIDENT JONES: Opposed?

19 The item passes.

20 BOARD MEMBER MILLER: Agenda Item 6b, Review of  
21 Independent Auditor's Management Letter. Approve the  
22 CalPERS Board of Administration's independent financial  
23 statement auditor's draft management letter for the fiscal  
24 year ended June 30th, 2019.

25 PRESIDENT JONES: On a motion of the Committee.



1 All those in favor say aye?

2 (Ayes.)

3 PRESIDENT JONES: Opposed?

4 The item passes.

5 BOARD MEMBER MILLER: The Committee received a  
6 report on the integrated assurance overview.

7 And the Chair directed staff to provide  
8 information with respect to the materiality threshold used  
9 by the independent auditor, where CalPERS fell in the  
10 range for the 2018 to 2019 fiscal year, and bring back  
11 information regarding best practices as it relates to  
12 audit materiality.

13 At this time, I'd like to share some highlights  
14 of what to expect at the February Risk and Audit Committee  
15 meeting: Mid-year plan updates for Enterprise Compliance  
16 Enterprise Risk Management; and, the third-party valuation  
17 and certification of the State and schools pension plans  
18 as of June 30th, 2018.

19 The next meeting of the Risk and Audit Committee  
20 is scheduled for February 19th, 2020 in Sacramento,  
21 California.

22 That concludes my report, Mr. President.

23 PRESIDENT JONES: Thank you, Mr. Miller.

24 The next report is Board Governance Committee.  
25 For that, I call on the Vice Chair Ms. Pasquill Rogers.

1           BOARD MEMBER PASQUIL ROGERS: Thank you, Mr.  
2 President.

3           The Board Governance Committee met on November,  
4 18th, 2019. The Committee reviewed and discussed the  
5 proposed schedule of Board and Committee meetings for 2020  
6 and ask the CEO to work with all Committee Chairs to  
7 review monthly agenda items ahead of time to determine  
8 whether there is a need for additional Committee meetings.

9           The Committee also discussed Workstream 4's  
10 updated recommendation to revise selected sections of the  
11 existing Board policies pertaining to Board member  
12 behavior, instead of adopting a new Board -- a Board Code  
13 of Conduct. Rather than to do that, the Chair directed  
14 Workstream 4 to work with Anne Simpson and the Legal  
15 Office on a new short draft of a code conduct -- code of  
16 conduct that incorporates all feedback discussed at the  
17 meeting.

18           The Committee also received an update on the  
19 development and implementation of the Board's Insight  
20 Tool.

21           The next meeting of the Board Governance  
22 Committee is tentatively scheduled for March 17th, 2020 in  
23 Sacramento.

24           PRESIDENT JONES: Thank you, Ms. Pasquil Rogers.

25           The next item on the agenda is the proposed

1 decisions of administrative law judges. And we have Mr.  
2 Chirag Shah, the Board's independent counsel, on the  
3 phone. Are you there, Mr. Shah?

4 MR. SHAH: Yes. Mr. President. Good morning.

5 PRESIDENT JONES: Okay. And before we look at  
6 each of these proposals, you -- we got an update on one of  
7 the respondent's arguments. So Mr. Chirag, do you want to  
8 make any comments on that?

9 MR. SHAH: Yes, Mr. President. Thank you. Very  
10 briefly. I want to note that the Board did receive, like  
11 you said, a late submitted argument at Agenda Item 9a6. I  
12 have reviewed that argument carefully, but it does not  
13 change the recommendation.

14 That's all I have this morning, Mr. President.

15 PRESIDENT JONES: Mr. Shah, would you repeat it.  
16 A couple members did not here what you said.

17 MR. SHAH: Oh. Okay. I'm sorry. I just -- I  
18 said I want to note that the Board received a late  
19 submitted argument from the member at Agenda Item 9a6. I  
20 have reviewed the argument carefully, but it does not  
21 change the recommendation.

22 PRESIDENT JONES: Okay. Thank you very much.

23 Okay. For the proposed decision, I call on the  
24 Vice President, Ms. Taylor.

25 VICE PRESIDENT TAYLOR: You have to -- oh, there

1 we go.

2 I move to adopt the proposed decision at Agenda  
3 Items 9a1, and 2, and 4 through 29 with the minor  
4 modifications argued by staff and remand Agenda Item 9a3  
5 for the taking of additional evidence as argued by staff.

6 PRESIDENT JONES: It's been moved Ms. Taylor

7 BOARD MEMBER MILLER: Second.

8 PRESIDENT JONES: Second by Mr. Miller.

9 All those in favor say aye?

10 (Ayes.)

11 PRESIDENT JONES: Opposed?

12 Hearing none.

13 The item passes.

14 VICE PRESIDENT TAYLOR: I move to deny the  
15 petitions for reconsideration at Agenda Items 9b1 and 2.

16 PRESIDENT JONES: Moved by Ms. Taylor.

17 BOARD MEMBER MILLER: Second.

18 PRESIDENT JONES: Second by Mr. Miller.

19 All those in favor say aye?

20 (Ayes.)

21 PRESIDENT JONES: Opposed?

22 Hearing none.

23 The item passes.

24 Is that it?

25 VICE PRESIDENT TAYLOR: And that's it.



1 achieve. This includes our strategic plan goals, as well  
2 as our outcome measures, which outline our high level  
3 operational expectations.

4 --o0o--

5 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF  
6 HUTCHINS: Our Enterprise Performance Management System  
7 involves the development, implementation, monitoring, and  
8 reporting of performance metrics that support our mission.  
9 The intent of this system is to reinforce CalPERS' desire  
10 to be transparent and accountable in support of our  
11 strategic goals and operational expectations.

12 As this system incorporates a significant amount  
13 of data and information, you do have all the reports  
14 within your agenda item attachments. However, our  
15 discussion will focus on the strategic side of the house.

16 --o0o--

17 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF  
18 HUTCHINS: So high level view of the status can be found  
19 within attachment A, which is a view of our strategic plan  
20 alignment map. This will show you the connection between  
21 our goals, objectives, measures, and initiatives, focusing  
22 again on the strategic side of the house.

23 This map reflects an overlay of status indicators  
24 of red, yellow, and green indicating those items that are  
25 on target, off target, and at risk. Additional details

1 for each of these indicators can be found within  
2 attachment C and D.

3 So our review and analysis of first quarter  
4 information identified that eight of our measures did  
5 refresh with new data. Those that are on target are  
6 related to our projected funded status, the one year total  
7 expected fund volatility, the investment managers policies  
8 and procedures for ESG factor integration, the external  
9 investment manager reduction strategy, and the five year  
10 net value added results from the Cost Effectiveness  
11 Benchmarking Survey. These are all in the green.

12 We will speak to our off-target measures in just  
13 a moment. And all of our business plan initiatives are  
14 tracking in the green this quarter.

15 --o0o--

16 ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF  
17 HUTCHINS: So as members of our executive team speak to  
18 the off-target items, they will provide information  
19 regarding the root causes and any mitigations and  
20 strategies currently underway.

21 Keep in mind, this report is reflective of a  
22 September 30th status and represents those items that are  
23 relevant and in the forefront of our strategic priorities.  
24 So with that, we will hand this over to Michael to start  
25 us off within the reduce complexity goal.

1 CHIEF FINANCIAL OFFICER COHEN: Good morning,  
2 members. Michael Cohen with CalPERS. This one is similar  
3 to several other measure that we've talked about recently  
4 in terms of our operational costs. This one specifically  
5 looking at the last fiscal year 2018-19. The goal was to  
6 reduce operational costs year over year. And as you can  
7 see from the chart, we're well off target. As we've  
8 talked about before, the bulk of our expenses are really  
9 in our personnel costs. And this was the budget adopted  
10 before the current Finance team really came on board and  
11 ideally over time we'll get this back in the right  
12 direction in terms of some of the efficiencies we've  
13 talked about recently.

14 But at this point in time, I wouldn't expect us  
15 to get anywhere near those long-term targets based on the  
16 budgets that we've adopted. That doesn't mean that we're  
17 not doing everything within the organization's efforts to  
18 be efficient, and, you know, reduce costs to the greatest  
19 extent possible. We'll continue on those efforts.

20 --o0o--

21 CHIEF FINANCIAL OFFICER COHEN: And this next one  
22 is -- really sort of follows on the Finance and Admin  
23 Committee's conversation yesterday in terms of our funding  
24 level and risk report. Note nothing here that you haven't  
25 seen before. It shows that the overall funded status of



1 the system is improving. That being said, being under 70  
2 percent is nowhere near where we want to be. We obviously  
3 want to get up into the 90 percent range, which is our  
4 targets. And that is going to take a number of years.  
5 And this is slow progress, but we are moving in the right  
6 direction.

7 --o0o--

8 INTERIM CHIEF OPERATING INVESTMENT OFFICER

9 BIENVENUE: All right. So the -- Dan Bienvenue, CalPERS  
10 team member.

11 The next one we want to talk about is the  
12 annualized five year excess return. And the five-year  
13 excess return through the end of the fiscal year is a  
14 negative 23 basis points, or about a quarter of a percent.  
15 This, of course, is a number that we're not happy with and  
16 we're focused on improving. But as Ben discussed at  
17 Investment Committee on Monday, these improvements will  
18 take time, both because by definition of it being a five  
19 year number, it takes five years to fully realize -- to  
20 bring all the old information out, but secondly, because  
21 some of the improvements surround the private asset  
22 classes. And those are just slow moving changes.

23 The two main sources of the underperformance have  
24 to do with underperformance within the asset classes of  
25 real estate, public equity, and private equity, but then

1 also an underallocation to the private asset classes,  
2 which outperformed the public market proxies.

3           So as I mentioned, there's a lot of work going on  
4 focused on addressing this. Under Ben's leadership, we've  
5 taken on a full blown strategy review that's reviewed all  
6 of the investment capabilities in the Investment Office  
7 with a great deal of strategy rationalization that's  
8 happened, resulting in about \$100 million of annualized  
9 cost savings, as well as an internalization of a great  
10 number of assets, and then most importantly a reduction in  
11 the active risk in the portfolio, and then also some of  
12 the focus on the total fund, really migrating ourselves to  
13 a culture of focusing on one total fund and working as one  
14 team to really manage that fund.

15           Finally, we've been focusing on getting the  
16 benchmarks to really accurately reflect what we're trying  
17 to achieve with the asset classes. So those are the areas  
18 of focus. As I say, they'll take time, but -- much like  
19 the funded status, but we're laser focused on seeing this  
20 happen.

21           Thank you. I'm happy to take any questions.

22           ENTERPRISE STRATEGY & PERFORMANCE DIVISION CHIEF  
23 HUTCHINS: Yes. We -- and that concludes our report. Our  
24 second quarter review is due in February, unless you have  
25 any other questions?

1           PRESIDENT JONES: No. No questions. We look  
2 forward to your next report.

3           Thank you very much.

4           The next item on the agenda, State and federal  
5 legislation. Mr. Brown.

6           LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Good  
7 morning, Mr. President and Board members. Danny Brown,  
8 CalPERS team member.

9           My State legislative update will be brief, as the  
10 Legislature has ended their session this year on October  
11 13th and they're now in interim recess. Your Board  
12 material contains the final outcome of all the bills that  
13 we have been tracking. I will just highlight the four  
14 that you took positions on.

15           AB 1320, the divestment bill by Assembly Member  
16 Nazarian that we opposed was signed by the Governor as  
17 expected. Just as a reminder, this bill would only go  
18 into effect if the federal government passes a law that  
19 sanctions the Government of Turkey for not recognizing the  
20 Armenian genocide. So if you're following the news now,  
21 you'll know that there are a number of sanction bills  
22 going through Congress as the result of the military  
23 action in Syria, but none of them mention Armenian  
24 genocide, so none of them would trigger this bill as  
25 written.

1           It's probably -- I don't expect that there would  
2 be a sanction bill that would impact this legislation, but  
3 it's probably more likely that we might see another bill  
4 next year that's just generally focused on the government  
5 of Turkey.

6           On the health side, there were three bills that  
7 you supported and all three of them were signed by the  
8 Governor. AB 731 and SB 343 deal with health plan data  
9 disclosure and transparency. And then AB 824 was the bill  
10 that limits so-called pay-for-delay agreements between  
11 large drug manufacturers and generic drug companies. And  
12 so the idea is to ensure that generic drugs come to market  
13 sooner.

14           The Legislative Office is now working on leg  
15 proposals for next year and we will be bringing those to  
16 you over the next few months.

17           On the federal side, obviously much attention on  
18 the impeachment inquiry in the House. So there's a lot  
19 of -- the House is spending a lot of time on that. The  
20 Senate is focused on passing 12 appropriation bills to  
21 keep the Government open. In fact, Congress is working on  
22 another short-term continuing resolution today in order to  
23 keep the government up and running through December 20th.

24           So, as a result, it's not likely that much  
25 meaningful legislation is going to get done this year.

1 However, the House and the Senate continue to work on drug  
2 prescription legislation. The House, as I mentioned  
3 before, is focusing on the Speaker's bill HR 3. And the  
4 main component of her bill is to allow Medicare to directly  
5 negotiate with the drug manufacturers with the idea of  
6 bringing down drug costs.

7 That bill has passed three committees, but the --  
8 it's on a partisan vote. They're hoping to take this bill  
9 up in December on the House floor, but it's not likely to  
10 go anywhere on the Senate.

11 On the Senate side, the Senate Finance Committee  
12 continues to work on bipartisan legislation. The main  
13 components of their bill is to cap Medicare beneficiaries  
14 out of pocket for drug costs, and to also require drug  
15 companies to issue a rebate to Medicare, if their costs go  
16 up above inflation.

17 The Trump Administration has also now weighed in  
18 on in kind of support of the Senate Finance approach. But  
19 even if they can reach some kind of bipartisan agreement  
20 on the policy, the -- you know, the current politics may  
21 prevent that bill from even moving forward.

22 On the regulatory front, as it was discussed in  
23 the Investment Committee on Monday, the SEC recently  
24 proposed some regu -- some new rules related to proxy  
25 voting advice and shareholder proposals. I think Simiso

1 provided you a good summary of those changes. So I won't  
2 repeat them, but I do want to just ensure you that we will  
3 be working with our Investment Office and our federal  
4 representative on submitting comments to those proposed  
5 rules, as well as collaborating with our industry  
6 partners.

7           And then finally, I just want to remind you that  
8 our federal contract with K&L Gates for federal  
9 representation does expire on January 31st, 2020, so we  
10 are in the RFP process now. We did receive seven  
11 proposals, so we're currently reviewing those and we'll be  
12 holding interviews next month. Our review panel consists  
13 of myself, Doug Hoffner, Brad Pacheco, and Anne Simpson.  
14 So we hopefully will be -- be able to announce the new  
15 federal representative over the next few months and before  
16 the next one expires.

17           And with that, I'll end my update and answer any  
18 questions you may have.

19           PRESIDENT JONES: Okay. Thank you, Mr. Brown.

20           Ms. Brown.

21           BOARD MEMBER BROWN: Yes. Thank you, Mr.  
22 President. Mr. Brown. Ms. Brown.

23           I know Congress has been very busy with  
24 impeachment hearings, but I heard yesterday that AOC  
25 chaired a hearing yesterday on private equity. And I had

1 a contact from a reporter that says CalPERS benchmark was  
2 mentioned. So I don't know who follows up on that or who  
3 kind of takes the lead on that stuff. But it's always  
4 interesting when we get mentioned by AOC, so...

5 LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Yes.  
6 I mean, we'll take a look at that. There was a hearing  
7 yesterday on private equity in the House and Financial  
8 Services Committee chaired by Ms. Waters. In fact, I've  
9 watched some of it. I haven't watched all of it. We're  
10 still working on our summary of the hearing. But, in  
11 fact, our CIO was actually quoted a couple times in the  
12 hearing too, and in -- there was some questions about --  
13 there was an exchange between Ms. Cortez and the -- one of  
14 the panel members, Ms. Appelbaum, about CalPERS changing  
15 their private equity benchmark and lowering their  
16 benchmark, yes.

17 BOARD MEMBER BROWN: I'd appreciate that follow  
18 up. I know we don't always get all -- we don't -- you  
19 don't bury us with all that information, but I'd be  
20 interested in receiving that information and any response  
21 we provide back to the committee. And thank you for  
22 reminding me that Ms. AOC did not chair.

23 Thank you.

24 PRESIDENT JONES: Okay. No further questions,  
25 Mr. Brown. Thank you very much for your report.

1           Now, I look to Mrs. Frost for summary of Board  
2 direction.

3           CHIEF EXECUTIVE OFFICER FROST: The only one I  
4 recorded was the one that Ms. Brown just indicated, that  
5 if we do respond to this Committee, which it's unlikely  
6 that we will do so. But if we do respond to the Committee  
7 remarks, that we put out a copy of those comments to the  
8 Board.

9           PRESIDENT JONES: Okay. Thank you very much.  
10 Okay. The last item on the agenda is public comment.

11           Is there anyone other than the two that I have on  
12 the request sheet would wish to address the Board? If so,  
13 please go over and sign up. And if not, we will assume  
14 that these are the only two.

15           So with that, I call on Mr. Steging and Mr. Rice.  
16 And you will have three minutes each. And if you would --  
17 and introduce yourself and your -- which organization  
18 you're associated with

19           MR. RICE: Good morning, President Jones,  
20 Honorable Board and staff. My name is Brian Rice and I'm  
21 the President of the California Professional Firefighters.  
22 And we proudly represent more than 30,000 courageous men  
23 and women on the front lines protecting our state.

24           I'm here to express our profound disappointment  
25 and anger about the recent CalPERS staff decision, a



1 decision that we believe is a first step on a road that  
2 could one day end secure pensions and hurt CalPERS as a  
3 system -- as a system.

4           As you know, the City of Placentia has chosen to  
5 establish a semi-professional fire agency within its  
6 borders. The Department will be staffed in part by  
7 reserve firefighters supported by a controversial local  
8 ambulance company. Placentia's decision poses a profound  
9 danger and threat to the safety of its citizens and the  
10 safety of future firefighters. It's a tragedy waiting to  
11 happen, and ultimately the City of Placentia's leaders  
12 who -- will have to face the music for their destructive  
13 act.

14           What brings us here is a demand by Placentia to  
15 take away secure retirement from their future fire  
16 employees. Last week, the City of Placentia -- last week,  
17 the city's demand was effectively rubber stamped by  
18 CalPERS' staff. This action happened without a chance for  
19 input from the elected Board.

20           We think it runs counter to any commitment to  
21 public accountability, and more importantly, it's an  
22 attack on the very notion of a secure retirement for  
23 public service.

24           On its face, the Placentia decision is absolutely  
25 discriminatory. Only firefighters, like the ones with me,

1 will be denied retirement security under CalPERS. The  
2 City of Placentia is a contracted city with CalPERS. The  
3 city administrator, the police chief, indeed every police  
4 officer, and clerk employed by Placentia will get a  
5 secured CalPERS retirement. What we don't know is if the  
6 firefighters will get any kind of retirement benefit at  
7 all. We think depriving an entire class of workers from a  
8 pension is not consistent and -- with CalPERS stated  
9 commitment to a secure retirement for public workers. By  
10 even allowing the city to discriminate in retirement any  
11 guaranteed death benefit for the widows and orphans of  
12 fallen firefighters will be ripped away. They won't have  
13 thinking. If a police officer in Placentia is killed in  
14 the line of duty, he will be benefited as such. As it  
15 stands now, if a firefighter is killed in the line of duty  
16 in Placentia, we hope that his widow will receive whatever  
17 his 401(k) was.

18 Placentia's model offers no guarantee.  
19 Firefighters are supposed to -- firefighters are supposed  
20 to take their word that their widows and children will get  
21 something if they die.

22 I was at a council meeting where this travesty  
23 was passed, and I'll say publicly and for the record - and  
24 I've been to municipal meetings for over 30 years, board  
25 of supervisors, city councils - it was most the corrupt

1 meeting I have ever attended.

2           In my view, there word doesn't count for  
3 anything. What's most troubling about this decision is  
4 what it says about the future of a secured retirement and  
5 the sacred mission of CalPERS. And make no mistake, this  
6 is a first step down the road to ending secure pensions.  
7 If local agencies are allowed to pick and choose who gets  
8 a pension and who doesn't, it isn't hard to figure out  
9 that some day somebody is going to say nobody gets a  
10 pension.

11           Your staff has greenlighted a path that could  
12 affect the retirement security of every public sector  
13 worker, and I believe even the security of the fund and  
14 CalPERS itself, of which I'm a proud member.

15           California firefighters by the thousands are  
16 putting their lives on the line every day. I'd say people  
17 like Dan Robinson -- Robertson from Oakland Fire, he  
18 couldn't be here today because he got forced back to duty,  
19 because California is under a red flag condition. So he's  
20 out protecting his community. People like Captain Brandon  
21 Bailey sitting right next to me, who I spent time on the  
22 fire line with at the Camp Fire, as they had spent days  
23 battling the fire and then days after sifting through the  
24 rubble, not for bodies, but for fragments of bodies.

25           The City of Placentia has shown what it thinks of

1 these men that are sitting with me and their brothers and  
2 sisters on the line in California. They gave us the back  
3 of their hand. Placentia failed its employees and more  
4 importantly it will fail the citizens that they're  
5 duty-bound to protect.

6           You have a responsibility. CalPERS provides more  
7 security than you as a Board realize. CalPERS -- as a  
8 union firefighter, as a firefighter, I don't know that the  
9 Board understands this -- the underlying stability that  
10 we, as municipal workers, receive when we're members of  
11 CalPERS. Whether it's in the health insurance arena or  
12 it's in the workers' comp arena, we have always been able  
13 to count on CalPERS.

14           And I'm going to tell you today sadly that with  
15 the decision by staff, it really rocks that belief for me.  
16 I'll close up, because, President Jones, I know you're  
17 giving me a little leeway and I appreciate that.

18           We will not back down from the fight with  
19 Placentia. It is -- I know the law is the law, but I  
20 leave -- I believe the statute gives CalPERS the ability  
21 to share their opinion, the Board, on this.

22           The decision that stands is not the right  
23 decision. We as a group are solution oriented and we will  
24 always seek that, but I believe staff has missed the mark  
25 on this one. When we allow agencies to discriminate

1 about -- against entire classes of workers, we've missed  
2 the mark and it didn't even get to you to weigh in on.  
3 That makes me angry, and it discourages me, and it  
4 concerns me for the men and women that may be employed by  
5 the City of Placentia. It's flat discrimination and it's  
6 wrong.

7           And I urge the Board to continue to look at this  
8 and to be willing to work with all public employees, and  
9 certainly public employees that are safety members in  
10 finding a solution to this. Either you're a member of  
11 CalPERS or you're not. And to be able to cut one-third of  
12 your employees out that are sworn to protect life and  
13 property in the State of California and the community of  
14 Placentia to me it's criminal.

15           And I appreciate your time. Thank you.

16           PRESIDENT JONES: You're welcome.

17           Who did you -- both of you -- one of you may not  
18 have signed up to speak, so --

19           MR. STEGING: I did, sir.

20           PRESIDENT JONES: You signed up. Okay. You go  
21 ahead then.

22           MR. STEGING: Is this on?

23           PRESIDENT JONES: Not yet.

24           MR. STEGING: Good morning, President Jones and  
25 the rest of the CalPERS Board. My name is Tim Steging and

1 I work for the Orange County Fire Authority as a Captain  
2 at Station 61 in Buena Park. I'm also the President of  
3 Orange County Professional Firefighters.

4 PRESIDENT JONES: Would you talk a little bit  
5 more directly into the mic. Thank you.

6 MR. STEGING: Orange County Professional  
7 Firefighters, Local 3631, where I represent over a  
8 thousand men and women who operate as firefighters,  
9 paramedics, engineers, and Captains, and most of which are  
10 reciprocal employees with your agency.

11 For nearly 25 years, our firefighters have the  
12 privilege of protecting the City of Placentia at Fire  
13 Stations 34 and 35. But the Placentia City Council has  
14 chose to dramatically downsize its operation for fire  
15 protection.

16 The Department they plan to create will cut  
17 active firefighters in half and backfill with reserves.  
18 Apparently, they also have a plan to deprive their  
19 firefighters of a secure pension. By their own admission,  
20 the ability of this new Placentia Fire Department to  
21 provide even basic fire response will depend on help from  
22 outside agencies like Fullerton, Anaheim, and Orange  
23 County Fire Authority.

24 But it also means that their fire department  
25 personnel, the people who answer the call every day, will

1 be categorized as permanent second class firefighters.  
2 Without a secure retirement, they'll have nothing to offer  
3 but understaffing, overwork, and no guarantee for the  
4 future.

5 By definition, the Placentia Fire Department will  
6 be the least experience, least qualified, and least  
7 capable of any urban fire department in California.

8 If Placentia is allowed to deny a retirement to  
9 their firefighters, that inferior service will be  
10 permanent. The impact will be felt not only by the  
11 citizens of Placentia but also the surrounding  
12 communities. The surrounding agencies will ask to  
13 divert -- be asked to divert their own resources to  
14 protect the measurably inferior department.

15 When Fullerton, Anaheim, and Orange County  
16 firefighters need help from Placentia, they will not be  
17 receiving a like-for-like service. There will be lesser  
18 skilled employees that will be potentially requested of  
19 their service.

20 They're getting understaffed, underexperienced  
21 crews. As a firefighter, secure retirement isn't an added  
22 perk. It's an essential protection we earn for a career  
23 of putting ourselves in harm's way. The City of Placentia  
24 has made it clear that they don't care about that. But as  
25 the CalPERS Board, we think that you should care to stop a

1 very bad situation from becoming even worse.

2 Please do whatever you can to keep Placentia from  
3 taking the path that is unfair to its firefighters and  
4 unsafe to its citizens.

5 Thank you.

6 PRESIDENT JONES: Thank you.

7 Did you have --

8 MR. BAILEY: (Shakes head.)

9 PRESIDENT JONES: Okay. Well, thank you for your  
10 comments. And, Mr. Rice, as you indicated, CalPERS'  
11 mission is secure retirement for all public employees and  
12 we will always support that going forward, so that as we  
13 look at, you know, what happened, and you make some  
14 recommendations about -- recommendations of how you plan  
15 to go forward, we will, as we always do with any agency or  
16 possibility of legislation, we will review it from that  
17 perspective that we want to make sure that all public  
18 employees has a secure retirement system. So we will  
19 certainly be able to do that on your behalf.

20 OFFICE OF HEALTH PLAN ADMINISTRATION INTERIM

21 CHIEF RICE: We look forward to working with the Board on  
22 this.

23 PRESIDENT JONES: Okay. Mr. Feckner.

24 BOARD MEMBER FECKNER: Thank you, Mr. Chairman.

25 First of all, thank you all for being here today



1 and for your testimony. Mr. Rice, I share your angst and  
2 your anger. I just channel it in a different direction.  
3 I channel it towards the staff at Placentia. I think what  
4 they're doing is appalling. To strip people of their  
5 retirement benefits, to offer them nothing more than a DC  
6 plan, which we all know that -- what happens to most DC  
7 plans.

8           But even more importantly, it's unconscionable  
9 that they would expect folks to come to work and not have  
10 a death benefit, when they put their lives on the line  
11 every day they leave that firehouse. I think the members  
12 of that council and the mayor of Placentia should really  
13 rethink their decisions.

14           I think, again, I'll repeat it's unconscionable  
15 to put somebody's life in line and not have any benefits  
16 for their family for -- because the job they're doing puts  
17 their life on the line every day to support us. I hope  
18 that the State Legislature and the Governor's Office is  
19 listening to this conversation and that they pay heed, so  
20 that we can put some things in place to prevent this from  
21 ever happening again.

22           So again, thank you for being here and you have  
23 my support going forward, if you need meetings with a  
24 legislator, et cetera, I'd be happy to assist.

25           Thank you.

1 (Applause.)

2 PRESIDENT JONES: Ms. Middleton.

3 VICE PRESIDENT TAYLOR: I think that's me.

4 PRESIDENT JONES: Okay. Eight. Oh, Ms. Taylor.  
5 That's all right.

6 VICE PRESIDENT TAYLOR: I want to thank you, Mr.  
7 Rice and Captain for coming in. I will echo my  
8 colleague's angst. I'm very angry at the City of  
9 Placentia. I agree that this is just another way to get  
10 rid of a defined benefit pension plan. And starting with  
11 the firefighters, I can't even imagine them keeping  
12 firefighters if, once they're trained up, they'll leave to  
13 be in a city that has a defined benefit pension plan.

14 We've seen this over and over again, as -- in San  
15 Jose and other cities that have tried to get rid of the  
16 defined benefit pension plans of their safety workers and  
17 then they lose two-thirds of their workers. So I, too,  
18 will be willing to work with you. Anything you need, let  
19 us know.

20 But I am -- again, I'm directing my anger at the  
21 City of Placentia, because I think they have -- this is a  
22 morally problematic decision that they have made. And I  
23 also feel like it's just a step in the direction of  
24 getting rid of the defined benefit plan for the entire  
25 City of Placentia.

1           So again, anything that you guys need at the  
2 Legislature or with our staff in backing you up, let us  
3 know. And I appreciate your work and everything that you  
4 guys do for us.

5           Thank you.

6           MR. RICE: Thank you.

7           PRESIDENT JONES: Mr. Perez.

8           BOARD MEMBER PEREZ: I've got a ton of jokes  
9 about fire, as a cop.

10           (Laughter.)

11           BOARD MEMBER PEREZ: But I will say, I could not  
12 do your job. I've had to go into a burning mobile home  
13 once, and it really stunk. And I don't want to have to do  
14 that again.

15           I will -- Mr. Jones already spoke about what the  
16 Board will do. And I will choose to show some grace  
17 towards the Placentia City Council, although I'm angry  
18 also. More than being angry, I'm -- my heart hurts for  
19 the potential employees of that fire service and for the  
20 community of Placentia. I've always looked at Placentia  
21 as a strong city. Being in Corona, we're neighbors, not  
22 literally, but very close. And, wow, I'm glad I'm not  
23 going to live there because reading through some documents  
24 already, they're going to have a reduced crew. They're  
25 going to have a significant volunteer force that is just

1 not the same. I applaud people being volunteers and being  
2 reserves, but it's just not the same as being active, and  
3 trained, and in it day-to-day.

4 We received a letter via email last night from a  
5 Member of the Placentia City Council. And at the bottom  
6 of that letter, it showed that this member was a recipient  
7 of 2019 Do The Right Thing Award. And I implore council  
8 to go back and look in the mirror and really think that if  
9 it's -- if it's fair for a firefighter to go on the line.  
10 The death benefit is a big deal. The defined benefit is a  
11 big deal.

12 But we're not even talking about disability. The  
13 numbers are astronomical of how often firefighters get  
14 injured. And are they just going to be out of work? Are  
15 they going to -- that's a very scary thing.

16 And in addition to Mr. Feckner's statement,  
17 whatever I can do to persuade council to do the right  
18 thing, like their award says, I'm happy to help.

19 MR. RICE: Thank you.

20 PRESIDENT JONES: Ms. Middleton.

21 BOARD MEMBER MIDDLETON: Okay. Thank you, Mr.  
22 President. And I want to thank all of my colleagues for  
23 their comments, which I support fully and completely.

24 As a member of a city council, I have had the  
25 opportunity to watch firsthand the devotion of our

1 firefighters and the work of our firefighters. I can tell  
2 you as -- and I also know the extent to which the mutual  
3 aid packs that exist between municipalities, particularly  
4 suburban municipalities is incredibly important. And the  
5 ability of firefighters in one city to be able to rely on  
6 the professionalism of the firefighters in the other city  
7 is absolutely critical as we respond to emergencies.

8 I can say as a member of a city council, the vote  
9 that was taken in Placentia is not a vote that I would  
10 take in Palm Springs.

11 Thank you.

12 MR. RICE: Thank you.

13 PRESIDENT JONES: Mr. Miller.

14 BOARD MEMBER MILLER: Yeah. Again, I would echo  
15 the comments that you've heard from my colleagues. It's  
16 an appalling decision by the council, in my view. I just  
17 express my support and appreciation for all public safety.  
18 But for firefighters, nothing sounds more frightening to  
19 me than to be a firefighter, especially in the current  
20 environment with the natural environment, the built  
21 environment, and the political environment. And so any  
22 support that I can provide as a Board member and just my  
23 appreciation for courageous firefighters and their  
24 sacrifices, and the need to have secure employment, secure  
25 retirement for firefighters and their families -- for all

1 public employees and their families, but particularly,  
2 this case, just stands out as a truly deplorable decision.  
3 And I wish you the best going forward and any support that  
4 I can provide, I'd be happy to step up.

5 MR. RICE: Thank you.

6 PRESIDENT JONES: Mrs. Pasquil Rogers.

7 BOARD MEMBER PASQUIL ROGERS: Thank you, Mr.  
8 President.

9 Gentlemen thank you for being here today. It's  
10 an honor to hear you. It's an honor to know you. And in  
11 my experience, I have worked with firefighters. It is --  
12 and I hope that people here, it is a privilege and honor  
13 to be a public servant. It is a privilege and an honor to  
14 protect your community and work on behalf of your  
15 community.

16 It is disgraceful when people, staff, or elected  
17 members of a municipality, like Placentia, would forget  
18 the honor and the people that they serve. So I echo the  
19 comments of my colleagues. I stand with you 24/7. I hope  
20 that the appropriate people hear. This is -- this is an  
21 extremely bad decision and they need to think about why  
22 they're in their jobs, because it might be time for people  
23 to leave, if they can't -- if they don't remember who they  
24 are working for.

25 Thank you.

1 MR. RICE: That you.

2 PRESIDENT JONES: Mr. Rubalcava.

3 BOARD MEMBER RUBALCAVA: Thank you, Mr.  
4 President. I, too, am alarmed by the -- any reckless  
5 approach to deny defined benefit, a secure retirement  
6 pension to firefighters. And I join with the colleagues  
7 on this Board in pledging to help.

8 I also want to state that there was some comments  
9 about CalPERS staff role. I think sometimes we're boxed  
10 in by what precedent and certain laws. But please  
11 understand that our staff take leadership from the Board  
12 and their own leadership will be also in this fight. We  
13 want to preserve defined benefit. And thank you for  
14 speaking to us.

15 PRESIDENT JONES: Okay. Seeing no further  
16 requests to speak. Again thank you for being here and we  
17 look forward to working with you.

18 MR. RICE: Thank you.

19 PRESIDENT JONES: Okay.

20 Okay. That concludes the public comment. I have  
21 no requests from anyone else to speak, so this meeting  
22 is -- oh, we will have closed session in ten minutes. And  
23 so that's 10:30, right? Let's just say 10:30.

24 Okay. So this meeting is adjourned.

25 /////

(Thereupon the California Public Employees'  
Retirement System, Board of Administration  
open session meeting adjourned at 10:19 a.m.)

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

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 26th day of November, 2019.

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