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, DECEMBER 18, 2019
9:15 A.M.

JAMES F. PETERS, CSR
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APPEARANCES

BOARD MEMBERS:
Mr. Henry Jones, President
Ms. Theresa Taylor, Vice President
Mr. Rob Feckner
Ms. Fiona Ma, represented by Mr. Frank Ruffino
Ms. Lisa Middleton
Mr. David Miller
Ms. Stacie Olivares
Ms. Eraina Ortega
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
Dr. Donald Moulds, Chief Health Director
APPEARANCES CONTINUED

STAFF:
Mr. Brad Pacheco, Deputy Executive Officer, Communications & Stakeholder Relations
Mr. Scott Terando, Chief Actuary
Ms. Marlene Timberlake D’Adamo, Chief Compliance Officer
Mr. Danny Brown, Chief, Legislative Affairs Division
Ms. Kara Buchanan, Board Secretary

ALSO PRESENT:
Mr. Tim Behrens, California State Retirees
Mr. Al Darby, Retired Public Employees Association
Ms. Deb Jachens, California School Employees Association
Ms. Willette Jacobs
Mr. Neal Johnson, Service Employees International Union, Local 1000
Mr. Chirag Shah, Chirag Shah & Associates (via teleconference)
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PROCEEDINGS

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

BOARD SECRETARY BUCHANAN: Good morning. Henry Jones?
PRESIDENT JONES: Here.
BOARD SECRETARY BUCHANAN: Theresa Taylor?
VICE PRESIDENT TAYLOR: Good morning.
BOARD SECRETARY BUCHANAN: Margaret Brown?
PRESIDENT JONES: Excused.
BOARD SECRETARY BUCHANAN: Rob Feckner?
BOARD MEMBER FECKNER: Happy Holidays.
BOARD SECRETARY BUCHANAN: Happy Holidays.
Frank Ruffino for Treasurer Ma?
ACTING BOARD MEMBER RUFFINO: Present.
BOARD SECRETARY BUCHANAN: Lisa Middleton?
BOARD MEMBER MIDDLETON: Present.
BOARD SECRETARY BUCHANAN: David Miller?
BOARD MEMBER MILLER: Here.
BOARD SECRETARY BUCHANAN: Stacie Olivares?
BOARD MEMBER OLIVARES: Here.
BOARD SECRETARY BUCHANAN: Eraina Ortega?
BOARD MEMBER ORTEGA: Here.
BOARD SECRETARY BUCHANAN: Jason Perez?
BOARD MEMBER PEREZ: Here.
BOARD SECRETARY BUCHANAN: Ramon Rubalcava?
BOARD MEMBER RUBALCAVA: Here.
BOARD SECRETARY BUCHANAN: And Lynn Paquin for Betty Yee?
ACTING BOARD MEMBER PAQUIN: Here.
PRESIDENT JONES: Okay. Thank you.
The second item is approval of the timed agenda.
So if we could --
VICE PRESIDENT TAYLOR: Move approval.
PRESIDENT JONES: Moved by Ms. Taylor.
BOARD MEMBER FECKNER: Second.
PRESIDENT JONES: Second by Mr. Feckner.
All those in favor say aye?
(Ayes.)
PRESIDENT JONES: Opposed?
Hearing none. The item passes.
The next item is Pledge of Allegiance and I've asked Ms. Ortega to lead us in the Pledge.
(Thereupon the Pledge of Allegiance was recited in unison.)
PRESIDENT JONES: Well thank you. And good morning again. To start our day, we're going to listen to the beautiful voices of our very own CalPERS chorus.
Board members, would you please take a seat in the audience for this performance. So, please.

(Thereupon the CalPERS choir sang.)

PRESIDENT JONES: Okay. How about another round of applause for our chorus.

(Applause.)

PRESIDENT JONES: Thank you.

As part of the duties as Board President, our Governance Policy calls on me to produce an annual report reviewing the progress we have Made in implementing governance reforms and improvements to Board effectiveness. I'd like to do that this morning. And I'm pleased to say that we have significant progress to report.

As many of you know, we set a goal of assessing our strengths and identifying opportunities for us to enhance our governance and our performance as a Board. We did this through surveys and interviews that have 100 percent participation from all Board members serving at that time. The findings from our work, included a list of qualities that unite us as a Board and even stronger listing areas that we felt needed to make some improvements.

Many ideas emerge on how we could enhance our governance and be more effective in our oversight role of
the system. We landed on five key areas or workstreams, as we call them. They include: education of the Board, particularly new Board members; roles and responsibilities of the Board; our meeting schedule, Committee structure, and meeting materials; how we can conduct ourselves as Board and Board members; and lastly, a focus on innovative technologies to help keep us informed during those times that we're not in this meeting room.

Last January, I appointed Board members to each workstream and asked them to set forth recommendations to their colleagues that would help improve governance and board effectiveness.

As an investor, CalPERS is known for a very long time that good corporate governance of public companies drive good performance. In the middle of our work, new evidence showed that true -- that's true for public pension funds as well. The Center of Retirement Research at Boston College issued a study in August. The research shows that public pension funds with good governance also have the best performance.

So, in summary, here are the accomplishments of our work:

We enriched our Board education program by developing education models for each committee, starting with the Investment Committee.
We held workshops on our total fund approach, risk and return basics, fixed income, public equity, and this month private markets.

We adopted Rosenberg's Rules of Order as the parliamentary authority for meeting the Board -- for the meeting of the Board and its committees.

We consolidated our two strategic offsites into one and introduced a new stakeholder forum that will be held next month to facilitate greater dialogue between our key stakeholders and members of the Board.

We streamlined our Committee meeting schedule into at least four meetings per year, to provide more time for our teams to carry out the day-to-day operations of investing our assets, and delivering health and retirement benefits to our members.

We established a consistent Committee structure that will provide the full Board with improved due diligence through a deeper level of review before they are recommended to the full Board.

We also began the development of a code of conduct that will -- we will continue to explore and refine in 2020.

And finally, we created a new dashboard of vital signs called insight that will give the Board the essential information necessary to carry out its oversight
responsibilities.

This is a tremendous body of work that we should all be proud of. And I want to also thank each of you for your commitment and your time for putting these reforms together. I also want to thank the stakeholders for their feedback along the way. And to Marcie Frost, Anne Simpson, Matt Jacobs, and NACD for your leadership and guidance over the last 12 months.

I look forward to our continued work and collaboration in the next year. So again, thank you, my colleagues, for your work on that -- on those issues.

Now, I'd like to take a moment to recognize a member of our Board, and a member of our leadership team who are both departing CalPERS.

Let's start with Mona Pasquil Rogers, the representative from the State Personnel Board. She has only been with us for about a year, but her contributions in such a short time have been significant. Mona has brought extensive knowledge to CalPERS as a veteran political advisor and strategist, having directed Presidential, gubernatorial, and local campaigns across the nation. And she has always served as a strong advocate for our members and employers through some difficult issues.

So, Mona, would you please join me on the stage.
Where is Mona?

    Oh, there she is.

    Well, thank you, Mona. And on behalf of the full Board, we want to present this resolution to you for your services to CalPERS.

    MS. PASQUIL ROGERS: Thank you.

    PRESIDENT JONES: Okay.

    So I think. Wait just a minute.

    (Applause.)

    PRESIDENT JONES: You've got to say something.

    No, you can't just leave like that.

    (Laughter.)

    MS. PASQUIL ROGERS: Thank you so much. And to this Board, oh, my gosh I'm going to cry. Thank you so much. In a year, you've taken a Political English Lit major who was really afraid of numbers -- sorry, Ben --

    (Laughter.)

    MS. PASQUIL ROGERS: -- you know, to -- into a world I never expected. I have learned so much from each and everyone of you, from the stakeholders and the staff, about how hard all of you work for -- you know, for our people -- our people, who, you know, they take these jobs and they count on us in their retirement or when they -- in times -- in tuff times.

    I've seen you all reach out to people
individually. And please know, that that's extraordinary. Not a lot of people do that. I've seen Board members, you know, help each other. I've seen spirited dialogue. And in all that spirited dialogue, it was to be better. And so I appreciate you. I'm going to take everything that I have learned, and I've learned a lot, in my next adventure. And I always know this, that, you know, when you have a great opportunity, and you have an opportunity to move so somebody else can step aside, do it.

And so it's my hope that whoever steps in to represent the State Personnel Board will be smarter, and -- but will also -- will also recognize the great work that all of you do.

Thank you so very much.

(Applause.)

PRESIDENT JONES: Okay. And thank you, Mona. And we hope that your next endeavors from -- moving forward would be as successful as your contributions have been to us so far.

Next, I'd like to honor our Deputy Executive Officer for Customer Service and Support Donna Lum. Donna has played a major role at CalPERS. She has served us 21 of the 35 years of public service with the State. She has tackled difficult changes and transitions, such as implementation of myCalPERS, PEPRA, and leading our data
teams through Y2K.

Her vision to deliver excellent customer service
is an -- as an efficient and cost-effective manner has
provided pension security for our members and our
employers.

Donna, will you please join me on the stage.

Donna, on behalf of the full Board, we would like
to present this resolution to you -- I think I have it
upside down. Okay. There -- present this resolution to
you for all of your fine work over a number of years of
service to CalPERS.

So let's get a picture.

(Applause.)

DEPUTY EXECUTIVE OFFICER LUM: Thank you, Mr.
President. It seems like since I announced my retirement
in mid-September, we've been doing a lot of celebrating.
And I'm -- those of you that work with me know that I'm
usually not with a loss of words. But certainly today is
a major milestone for me in my life, in my career, and for
my family.

So I first want to thank the Board of
Administration for all of the work that we've done
together. As I mentioned yesterday in the Pension and
Health Benefits Committee meeting, it's been a pleasure to
have worked with you on so many legislative and regulatory
changes, as well as a number of strategic and policy
issues.

And I think although together we've tackled a lot
of major and difficult initiatives, certainly, always the
intent was coming from a place to ensure that change that
was made was always in the best interest of all of our
members.

I want to also take a moment to thank all of the
executive team. It has been a real honor and privilege to
have worked with all of you. Some of you I've worked with
longer than others, but certainly this team has been
great. We've done a lot of over the last couple of years
together. And certainly again, I wish you all the best.
I know that every decision that we make and that you will
make going into the future will always be in the best
interests of system and our members as well.

I also want to thank the stakeholders who are
here, who have been here to support a lot of the
discussions that we've had over the last couple of years,
especially in the Pension and Health Benefits Committee.
We've listened to you. We've implemented a lot of the
really good ideas that you've had. And certainly, I hope
that we've made a difference in the partnership that we
have with our stakeholders and the implementation of
change.
I also want to thank all of the team members throughout CalPERS. The success that we've had in the areas of customer service couldn't have been done with a lot -- without a lot of the collaboration and the partnerships that we've created throughout the entire organization. And there was never a time when we reached out and asked for support where we it didn't have it. And certainly I, too, want to thank you all of you for helping to lead the team through success.

As I leave, I look out in the audience and I have very strong leaders, very strong team leaders. And I know that the organization and our customers, our members, our employers are going to be in great hands. The teams here are very knowledgeable. I was asked early on what kept me here for 21 years? And it's the culture of the organization. It is our core values. It is the important mission of CalPERS. And it really is about the engagement of all of our team members and the ability to work together as a team.

So with that, I just wanted to thank you all. Thank you all for this honor of having a Board resolution. In the spirit of diversity, I wish you all mele Kalikimaka a hau´oli makahiki hou, which is Merry Christmas Happy New Year. And this isn't the end. And I wish you a hui hou makou, which is until we meet again. Thank you, all.
(Applause.)

PRESIDENT JONES: Thank you, Donna.

DEPUTY EXECUTIVE OFFICER LUM: Henry, may I have the mic. I forgot.

Oh, my goodness. So you have all been a wonderful extension of my family, my ohana. Those of you that know me really well know that ohana is extremely important to me. It's about family. It's about your neighbors, your community, the people that you work with.

But a big part of my career, my success, my ability to come to work every day and to give everything that I can has really been a lot of credit to my family. My husband, he is here today, Alan, with the video.

(Applause.)

DEPUTY EXECUTIVE OFFICER LUM: Some of you recognize Alan. Alan had about a three and a half year stint here at CalPERS. And he is also retiring at the same day -- on the day. We're bother retiring together.

But you know my family has been through a lot. When you have a career as long-standing as ours have been for the two of us. And so I just want to extend a thank you to my family. They can't be here today. My son was recently deployed into active duty, but I believe that he is on the webcast watching, and so is my daughter.

So, Alan, thank you for being there for me.
Thank you for celebrating my retirement. And I look forward to the many wonderful years that we will have in retirement together.

Thank you.

(Applause.)

PRESIDENT JONES: Okay. Well, thank you, Donna, and good luck on your travels and destinations wherever they may take you -- you and your family.

Why don't we, at this time, take a 15-minute break to have -- enjoy networking, and coffee, and cake in the foyer auditorium.

Okay.

(Off record: 9:41 a.m.)

(Thereupon a recess was taken.)

(On record: 10:00 a.m.)

PRESIDENT JONES: Okay. We're going to reconvene our meeting.

The next item on the agenda is the Chief Executive Officer's report. I'll call on Ms. Frost for that.

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

I'd like to start by thanking you all for attending yesterday's winter gathering. I know that's an opportunity each year that the Board and the team here at
CalPERS can have some more personal interaction action. And I know the team really looks forward to doing that. It was also just a nice timeout from the day-to-day workload to be able to wish everyone a Happy Holiday Season.

The CalPERS chorus this morning did a wonderful job as they usually do. And I think it's worth mentioning that this is a choir that practices on their own time and they represent CalPERS at a number of events around Sacramento, including a holiday performance that they did earlier this week at the Capitol building.

And I would also like to take just a moment to thank Mona Pasquill Rogers for her service - I don't if she's still here - to this Board. In the year that she has been with us, her impact has really been quite significant. She played a leadership role in much of the Board Governance work that happened here over the last year. And I think she played a really -- had a key voice on guiding Board decisions throughout the year.

And I know her next roles, and many of you know what her next roles are, I think they certainly recognize her many talents. So on behalf of all of us at CalPERS, the CalPERS executive team, and the two million members we serve, we want to say thank you to her and her service.

I'd also like to thank Donna for her service to
the organization. This one's -- this one's pretty tough. Donna and I have become quite good friends during my three years here. And I think what you can see and the way that she spoke about her 21 years at CalPERS and her 35-year public service career, that there is a real strong commitment to public service.

And for Donna, she is someone who always represents not only the customer or the member, but she also represents her teams quite well. And I think her employee engagement survey results are quite reflective of her leadership abilities.

Donna has made many friends in the organization, outside the organization. She sat on a number of -- she sat on the CALAPRS Board, and I think represented CalPERS quite well with all of the county systems as well.

So she -- I think she'll always be known for her leadership traits, but, also, frankly for her kindness. We will miss her very much. We've been saying goodbye to her now for a couple of months. And we're down to our last farewells as this will be her last week with CalPERS. So we wish you well, Donna. And I know you and Alan will make the most out of your retirement.

So moving on to this week's business. On Monday we did hold the final Investment Committee workshop. This time it was on the private asset classes or private
markets. And as we've been discussing for months now, the private markets are really critical to the portfolio. And I think Ben has -- he's done a quite good job of explaining why private assets are important in order for us to hit our seven percent return target.

We also recognize that many other investors are equally attracted to the private markets. So it's quite competitive. However, we will be patient. We'll be thoughtful about where we put our member's money, and make sure that any investment we do really aligns with the values that we have here at CalPERS.

On Tuesday, we wrapped up our mental health discussions with our large health plans. And I think this was again another opportunity for us to make sure that we're spending the right time on key issues that are impacting the members of this system. Given that about one in five people will rely on mental health services in their lifetime, it's clear that we must continue our focus in this area.

Turning to some outreach activities. Two weeks ago, I participated on a panel discussion for the California School Boards Association at their annual Education Conference and Trade Expo. Like many of our employers, schools face significant budget challenges and constraints. So this is a good opportunity to not only
hear their concerns, but also to really layout the top priorities for this system. This was another place where that 20-year look-back that we had created about how did CalPERS from a super funded status, and I'll air quote super funded stats, at 128 percent why is the system still roughly 70 percent funded today. So building that waterfall, if you will, to explain the past 20 years, but more importantly really looking at the ten-year look forward. And I think that those were very meaningful conversations with school boards.

Last week, I did have two more engagements. And the first one was with the League of California Cities. I was joined by Board Member Middleton for a panel discussion on pension issues facing governments or local agencies. I focused my remarks on the key risks to the system, including the employer's ability to pay benefits. We know that employer affordability is something that's in our five-year strategic plan. It's something we carefully watch for.

And you've certainly heard from a number of employers throughout the last two years, I would say in particular, that are really concerned about their ability to continue to pay for the contribution rates.

I also mentioned that the Pension Outlook planning tool was rolled out at the Education Forum. And
this is one of the tools that the public agencies can use to do their own forecasting around contribution rates, so as they're thinking about their budgets, one, three, and five years, they now have a tool in their hands that they can -- they can do that on their own in a self-served way.

For Ms. Middleton's part, I think she was able to provide insights on the Board's duties, your responsibilities, all of the work that you have been doing over this last year, and how the decisions that you are making, how they affect those municipalities.

A couple of days later, last Friday - thank you Ms. Taylor - I also spoke with the Board of SEIU Local 1000 at their quarterly board meeting. And I was honored to be able to talk at that event and was -- I got a call from their President Yvonne Walker. And so really appreciated her outreach to me. It -- I spoke for about 20 minutes just generally about the state of the pension system, but it was a group that was very engaged.

The Q&A, the question and answer, period went on for quite some time. And it ranged from topics of, you know, why are defined benefits important, what's CalPERS doing to protect defined benefit programs, to investments and divestments. And so I thought it was very worthwhile time that I got to spend with that group.

And then coming up next month is the first ever
stakeholder forum on January 22nd. That will be held here. We’re looking forward to providing our stakeholders with information on key issues around health, around pensions, and around sustainability of the fund, and also having some very constructive dialogue. And I know that many of you will be interacting in that session as well.

So I'll close now with the investment performance year-to-date as of -- again, these are as of October 31st. The preliminary one-year rolling return is 11.8, the three-year return is nine, the five-year return is 6.5, the ten-year return is 8.6, and the 20-year return is 8.1.

And then finally, I'd like to wish everyone a Happy Holiday Season. And a successful new year in 2020. As you know, our CalPERS Headquarters and regional offices will be closed on Christmas day and New Year's Day.

And that does conclude my remarks, but I'm happy to take any questions.

PRESIDENT JONES: Okay. Seeing no questions. Thank you for the report, Ms. Frost.

The next item on the agenda is the action consent items. Do I have a motion?

VICE PRESIDENT TAYLOR: Motion.

PRESIDENT JONES: Motion by Ms. Taylor.

BOARD MEMBER MILLER: Second.

PRESIDENT JONES: Second by Mr. Miller.
All those in favor say aye?

(Ayes.)

PRESIDENT JONES: Opposed?

Seeing none.

The item passes.

The next item is information consent items. I have no requests to remove anything, so we will move on to Committee reports and actions.

The first one is Investment Committee. For that I call on the chair, Mr. Feckner.

BOARD MEMBER FECKNER: Thank you, Mr. President.

The Investment Committee met on December 16th, 2019. The Committee approved the following:

Agenda Item 7a. Staff's revision with additional edits as directed by the Chair to the Private Equity and Real Assets Program Policies.

The Committee received reports on the following topics:

A report regarding CalPERS' climate-related financial risk; the annual report on external managers' compliance with the Responsible Contractor's Policy; Wilshire's Annual Financial Analysis of CalPERS Divestments; and the fourth investment education workshop, an overview of private markets.

The Chair directed staff to expand the
Climate-Related Financial Risk Report, and a member request to calendar an item regarding divestment in 2020. The Committee heard public comment on the following topics:

Current investment strategy and risks; the Climate-Related Financial Risks Report; and labor issues related to the Responsible Contractor Policy.

At this time, I'd like to share some highlights of what to expect at the March Investment Committee meeting:

The first reading of proposed changes to the Total Fund Policy; and an update on CalPERS' governance and sustainability strategy.

The next meeting of the Investment Committee is scheduled for March 16th, 2020 in Sacramento, California.

Thank you, Mr. President.

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

For that, I call on the Chair, Mr. Feckner.

BOARD MEMBER FECKNER: Thank you, Mr. President.

The Pension and Health Benefits Committee met on December 17th, 2019. The Committee received reports on the following topics:

The Committee received an additional update on mental health issues and treatment among CalPERS' members;
the Committee received public comment regarding changes to
the federal budget bill that may affect -- may impact
CalPERS, network discussions in Santa Barbara County, and
the recent mental health presentations.

The Chair directed staff to:
Research whether the PERS Select mobile
application can be used to help identify eligible members
for the Future Moms Program;
Report back to the Committee on the following
items:
   Mental health challenges that were discussed
during the December meeting;
   What percentage of the increase in national
mental health providers are in California;
   The average cash rate for mental health
reimbursement by metropolitan statistical area;
   And, whether members are paying a higher cost
share when using an out-of-network mental health provider.

At this time, I would like to share some
highlights of what to expect at the March PHBC meeting:
The Committee will receive updates on health
enrollment -- open enrollment results, the CalPERS
Long-Term Care Program, the PERS Select Value-Based
Insurance Design, retiree cost of living, and review the
Pension and Health Benefits Committee Delegation.
The next Committee of the PHBC is scheduled for March 17th, 2020 in Sacramento, California.

Thank you, Mr. President.

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

There was no meetings for the Finance and Administration Committee; Performance, Compensation and Talent Management; Risk and Audit; and Board Governance, so therefore there are no reports.

We will now move to Action Agenda item 9. And we have Mr. Chirag Shah, the Board's independent Board counsel on the phone.

Mr. Shah, are you there?

MR. SHAH: Yes. Good morning. Happy Holidays, Mr. President.

PRESIDENT JONES: Okay. Thank you. So for this item, I call on the Vice President, Ms. Taylor.

VICE PRESIDENT TAYLOR: Thank you, Mr. President. I move to adopt the proposed decisions at Agenda Items 9a1 through 12 with the minor modifications argued by staff to Agenda Items 9a7 and 12.

PRESIDENT JONES: It's been moved by Ms. Taylor. Is there --

BOARD MEMBER MILLER: Second.

PRESIDENT JONES: Second by Mr. Miller.

All those in favor say aye?
PRESIDENT JONES:   Opposed?

The item passes.

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

Moved by Ms. Taylor.

BOARD MEMBER MILLER:   Second.

VICE PRESIDENT TAYLOR:   Second by Mr. Miller.

All those in favor say aye?

(Ayes.)

PRESIDENT JONES:   Opposed?

Hearing none.

The item passes. Thank you.

Okay. Then we go to information agenda items, State and Federal Legislation Update. Mr. Brown.

Thank you, Mr. Shah.

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

Starting with the State update. Not a lot has happened since I was here last month. The Legislature will return to session on January 6th and then they'll have the month of January to pass out any of the two-year bills that are still sitting in the House of origin.

We're not anticipating that any of the bills that
will be taken up in January will have a significant impact on CalPERS, but we'll definitely be monitoring closely. We'll probably spend most of January trying to reconnect with key members of the Legislature and their staff, and then just providing them an update on what our priorities are for the year.

Moving to the federal side where there has definitely been a lot of activity. The big news is that the Congress has reached a deal on the 12 remaining appropriation bills. In fact, the House took them up yesterday and passed them out. And now the Senate will take them up in the next couple of days. And we anticipate the President will sign it before the continuing resolution expires on Friday.

And I guess they were in the holiday spirit, because they did load it up like a Christmas tree with a number of non-appropriation items. The good news for us is they did include several of the health care taxes that were part of the Affordable Care Act, such as repealing the excise tax, the health insurance tax, and the medical device tax. I know that CalPERS has been, you know, actively engaged on trying to repeal or modify the excise tax since the ACA was passed. So that's good news that that finally happened.

This spending deal also included the CREATES Act,
which will make it easier for generic and biosimilar drugs to come to market. And this is something that we did send a support letter on, when it was part of Senate Bill 340. And finally, the deal did include some provision of provisions of the SECURE Act, which was a bipartisan pension-related bill, which was trying to provide some incentive for people to save for retirement. Most of that deal applies to, you know, small private businesses and individuals.

But it does have a provision that will increase the age to start taking required withdrawals from pension plans from 70 and half to 72. So this will be something that will need to conform our laws with that provision.

That kind of covers what was included in the budget proposal, but I did want to -- or budget the bill. But I did want to just kind of touch on two things that weren't included that we've been talking about a lot. And that is balanced billing and lowering prescription drug cost. There actually was some movement over the last several weeks on balanced billing. The Chair of the Senate HELPs Committee, Senator Lamar Alexander, reached an agreement with the Chair and Ranking Member of the House Energy and Commerce Committee on balanced billing. And there was actually even reports that that might be thrown into the Budget Bill, but
obviously that didn't happen. There still may be an
opportunity next May.

As part of the budget deal, it includes -- it
included what they call Medicare and Medicaid Extenders.
And the bill limited some of those extenders to just five
months, which means that there's now an opportunity for a
must pass piece of legislation in May. And this could be
a vehicle for more health care proposals. So I think
there's a lot of talk that they could throw the balanced
billing agreement in there, as well as some lower
prescription drug cost legislation.

Speaker Pelosi, her -- her drug pricing bill
passed out of the House earlier this month. Of course, it
was on partisan lines. And the Senate is not planning on
taking it up. Senator Grassley is still working on his
prescription drug bill. And I think at some point, the
Speaker and Senator Grassley will have to reach some kind
of compromise, if they what to get something done.

So I think there -- I think there is a good
chance that balanced billing could get done in May. I
think it's less likely that they could reach an agreement
on prescription drug costs. But this will be something
that we will be looking to engage in early next year.

And then the last thing is I just want to bring
to your attention a couple of support letters that we sent
out earlier this month. The first was on HR 2534 on the Insider Trading Prohibition Act by Representative Himes of Connecticut. That passed out of the House this month on a vote of 410 to 13. It would prohibit certain securities trading and related communications by those who possess material and non-public information.

We also sent a letter to the Senate Banking Committee Chair Crapo and the Ranking Member Brown, expressing our support on HR 5084. That's Improving Corporate Governance Through Diversity Act. And then we're encouraging them to take that bill up in their Committee. This bill would require public companies to annually disclose the voluntary and self-identified racial, ethnic, gender, and veteran status of their board of directors nominee and senior executives. It also creates an advisory group to recommend strategies to increase diversity in these leadership positions.

Board diversity is obviously an engagement priority for us. So then it will be something that we'll be focusing on next year to try to get that moved through the Senate. With that, that concludes my report and answer any questions you may have.

PRESIDENT JONES: Thank you, Mr. Brown.

Mr. Perez.

BOARD MEMBER PEREZ: Good morning, Mr. Brown.
On HR 4527, the expanding health care options. Do you have an idea whether or not that's --

(Sneezing.)

BOARD MEMBER PEREZ: God bless you -- whether or not that's going to go anywhere?

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I'm sorry, what number was that?

BOARD MEMBER PEREZ: 4527.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: Probably not. I think what we tried to -- kind of included a number of the Medicare For All type of proposals out there just to kind of give you the flavor of what's being discussed. I mean, it's hard to know what may happen. I think a lot of this is being set up to what may -- whether or not there's any change in the administration after the next election. But I think some people, rather than go to Medicare For All for everybody, maybe start with folks over 50, or maybe just law enforcement over 50. So I think it's -- it's hard to tell what's going to happen, but I think it's all -- it's going to be a long discussion. There's a lot of different ideas out there.

BOARD MEMBER PEREZ: Thank you.

PRESIDENT JONES: Okay.

Ms. Taylor.
VICE PRESIDENT TAYLOR: I wasn't going to ask this question, Mr. Brown, because I kind of know the answer. But HR 3623, Climate Risk Disclosure Act, I assume that it probably will pass the House and not go any further?

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: That's probably correct.

VICE PRESIDENT TAYLOR: Yeah.

LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN: I think that's -- you know, baby steps.

VICE PRESIDENT TAYLOR: Baby steps. All right. I just wanted to get on the record.

Thank you.

PRESIDENT JONES: Okay. Seeing no additional questions. Thank you, Mr. Brown.

The next item on the agenda, Summary of Board Direction. Ms. Frost.

CHIEF EXECUTIVE OFFICER FROST: I didn't record any.

PRESIDENT JONES: Neither did I.

CHIEF EXECUTIVE OFFICER FROST: Okay. Good.

PRESIDENT JONES: Okay. So now we go to public comment. We have a few people that have requested -- have put in a request to speak. I'll call the first two and you'll have three minutes to speak. And the mics will be
The first two Mr. Darby and Ms. Jacobs.

And the timer is right below me here to gauge your time.

MR. DARBY: Good morning, Mr. Chair, Board members. Al Darby, President, Retired Public Employees Association. I decided to expose a little bit of my good natured side today and wish you a Happy Holidays, Merry Christmas, whatever is appropriate for the Board.

And I also want to say that the work you and the CalPERS staff are doing is very much appreciated by our members. And we commend your efforts, despite the issues we sometimes have, that stakeholders sometimes raise from time to time.

I want to express kudos to the Board for the probing questions posed to the mental health HMO folks yesterday. It was very enlightening and I think exposed some of the shortcomings in the current system there.

We especially want to thank Donna Lum for her stellar career and all of the special efforts she has made for our members. There have been many times when we ask her to do special things for individuals and she's always come through for us. Appreciate her very much. And also, we ask that she become a member of RPEA and we'll provide her with an application for that purpose. And it is okay
to be a member of more than one retiree association.

(Laughter.)

MR. DARBY: I want to reiterate our concerns about private equity. In view of the recent reports of some of the dry powder now being infused into the system and inflating the cost of PE acquisitions, and the resultant diminution of profits that's probably going to occur.

Also, we want to reiterate our hope that the global equity portfolio has been rebalanced to get full benefit of the recent and ongoing stock market run-up.

Thank you.

PRESIDENT JONES: Thank you, Mr. Darby.

MS. JACOBS: Good afternoon -- oh, it's morning, isn't it?

Good morning. My name is Willette Hughes Jacobs. I'm retired on an industrial disability from the Department of Developmental Services. I have been attempting to get my pension from my deferred earnings for the last 20 years. I have yet to receive my money.

In 2002, I filed a litigation against this -- not this particular board, but another board. They failed to appear to the court and answer the litigation. They solicited the assistance of the Attorney General's office, who could not represent the State -- I mean, the -- could
not represent CalPERS, because it only involved a private pension litigation regarding my funds.

Since the filing of the lawsuit in 2002, I have been arrested. I have been denied -- denied[SIC] a vex -- I've been declared a vexatious litigant. I have been denied the right to access the court based on actions of the Attorney General's office, who was not the legal attorney of record.

Just Candy, Ohanason, and Chang established that Cal -- that the Attorney General's office was not the legal attorney of record and reinstated our case. And in the reinstatement of that case, the court said -- I wish I had it right here -- the court -- the court -- basically, the court had established that the case was not dismissed as proffered in 2003 by the court. The court established that the case is open and active, and made my lawsuit against CalPERS the lead case and the writ case against Robert -- Bob -- Robert Feckner as the other case. They were consolidated.

Default has been entered against CalPERS and the de -- default has been entered against CalPERS and Rob Feckner. And the reason we don't have it is because of these 22 memos right here from the court. And I'm going to read it to you.

For your information, I've instructed Tamara
Phyllis Christian to reject the defaults on Davis matter and use these exact words, "The case has been dismissed and moreover jurisdictional service has not been accomplished. In addition, from this point forward, we have been asked to keep a copy of documents rejected in the file and staple the documents returned form, reject form". And it talks about the yellow copy and -- to them, and the legal record of what exactly was submitted and rejected each time should it be needed in the future. "As you know, we have also been requested to document each time they appear in our offices and try to resubmit the same defaults. If they come to you with these items in the future, simply take it and say we will review it, even if it's the exact same item, and follow the exact same process again. This will create a paper trail showing how many times we have rejected the same thing. Get it".

Twenty-two memos by the clerks of the court denying the default. CalPERS never appeared. The Attorney General appeared on their behalf. They couldn't appear. I cannot even get in court. I hired an attorney, because CalPERS had me declared a vexatious litigant. And I want to read a letter from Donna Lum rejecting my money.

PRESIDENT JONES: Ma'am, your time -- your time is up.

MS. JACOBS: Okay.
PRESIDENT JONES: Sorry, your time is up. So we need to have other people come and -- who have requests to speak in those chairs where you're sitting.

MS. JACOBS: Okay. So then basically I have no options, because under Davenport, it clearly says that none of my money can be used to fund any portion of the benefit.

PRESIDENT JONES: We can't discuss -- we can't discuss legal matters here, Ma'am.

MS. JACOBS: See, you guys do this every time I come in here. Every time.

PRESIDENT JONES: I'm going to call up the next three speakers.

MS. JACOBS: Okay. So from here on out, then I'm going to file fraud against the system. I'm taking everything I have to the newspaper and I'm taking every -- And I'm charging the Attorney General with fraud and corruption and this system as well, because the court added themselves into a private pension litigation --

PRESIDENT JONES: Ma'am, I said -- ma'am I said your time --

MS. JACOBS: The added themselves into my litigation -- (inaudible) You guys can sit there. Twenty years. Rob Feckner, you know you have a default against you.
PRESIDENT JONES: I'm going to ask you --

MS. JACOBS: (inaudible) Attorney never appeared ever. You guys are capping benefits at 50 percent or less of anyone who retired under the age of 40 -- I mean, over the age of -- under the age of 40, and that includes me and thousands of others. That's why you won't let me come forward. It's pathetic that you took $31,920 out of my account, wrote off my years of service, and told me I'm only entitled to 50 percent.

PRESIDENT JONES: Ma'am, I have advised you that your time is up.

MS. JACOBS: No, but you're not listening to me.

PRESIDENT JONES: I'm going to ask you to be escorted if you don't.

MS. JACOBS: I've already been arrested once.

PRESIDENT JONES: I'm going to ask that you be escorted if you don't leave.

MS. JACOBS: -- by your security --

PRESIDENT JONES: I'm giving you one more chance to move on your own or else I'm going to have you escorted.

MS. JACOBS: I hope you guys are listening.

(Inaudible.)

MS. JACOBS: I gave you warning. This Board knows. So anybody who conspires with others and failed to
do anything about it is a part of the conspiracy from
beginning to the end.

Stealing people's money is not okay. Thousands
of us. Thousands of us.

PRESIDENT JONES: I'll invite the next three
speakers up. Ms. Jachens, Mr. Johnson, and Mr. Behrens.
If you could come up and you'll have three minutes.

Mr. Johnson and Mr. Behrens.

MS. JACHENS: Good morning, Deb Jachens,
California School Employees Association. Thank you,
President Jones. Happy Holidays to the Board.

CSEA, on behalf of our retirees and our active
members, would also like to congratulate Donna Lum on her
retirement. We're not providing accolades to Donna Lum
because she's always agreed with us or provided everything
we've ever asked for, but because she's built the team
that you see behind you, who will carry forward many of
the things that she has set in place for us.

We have some unique things, as Marcie articulated
in her comments about the School Boards Association. The
schools have some unique circumstances that interact what
CalPERS, and Donna Lum has assisted us in making sure that
we have all of the resources that we need to address
those, whether that's the 30 Saturday seminars where we
pay for facilities and she provide the staff, to come to
those to speak solely to the benefits that are provided under the schools pool, whether that's the unique circumstances where we're at the bargaining table trying to mitigate the damages from a CalPERS audit, or trying to get employers to adhere to the law that may have been in place, you know, recently, since the seventies -- that's been there since the seventies, but we're still not adhering to, or whether it's the unfortunate circumstance of a member's death, a fire, or a retiree who has accidentally exceeded the 960-hour rule.

Donna has made sure we've had all of those resources that we need to address those concerns and we look forward to this team behind us in making sure that that stays in place.

Thank you.

PRESIDENT JONES: Thank you.

MR. BEHRENS: Good morning, President Jones, members of the Board. Time Behrens, President of the California State Retirees. I wasn't sure under action consent items 6b, Board Travel Approvals, whether that was for future travel approvals or past travel approval.

PRESIDENT JONES: Future.

MR. BEHRENS: Future?

PRESIDENT JONES: Yes.

MR. BEHRENS: Okay. Then I was just going to
remind you that you're going to start reporting out, so we can find out the value of your travels and I appreciate that. So with that, Happy Holidays and I'm looking forward to a better 2020 in the funding for our CalPERS pensions.

Thank you.

PRESIDENT JONES: Thank you.

MR. JOHNSON: Neal Johnson. I represent Service Employees International Local 1000.

More of these comments are more my own. I want to thank Donna Lum for her -- and this is not trying to sound like a broken record, but her long dedicated service to the members of this organization, both the staff and development of the staff, but also to the 1.8 million or so members of the PERS system for providing quality services through some very trying times.

I'll never forget the -- all the discussions over the Pension Resumption Project about six, seven years ago and the amazing wait times people had to go through. And how Donna was -- showed real leadership in moving through that morass. And for that I thank her and her other things over the last 20 some years.

I also want to thank Mona Pasquil Rogers, who is no longer a member of the Board. Unfortunately, she had a brief period on the Board, so some of the things she could
have done will never happen or at least she won't be involved in them.

But I think she did a good job both on this Board and the State Personnel Board in representing or providing service to the members of the PERS system, to the taxpayers, and to employees to the State of California. And for that, I thank her.

With that, Happy Holidays

PRESIDENT JONES: Thank you very much.

Okay. So that concludes the public comments. And I would just like to, on behalf of the Board, extend a Happy Holiday to all of our 3,000 staff members and our 1.9 million members, and our 3,000 agencies that we serve. So have a wonderful holiday.

And with that, this meeting is adjourned.

(Thereupon the California Public Employees' Retirement System, Board of Administration open session meeting adjourned at 10:32 a.m.)
CERTIFICATE OF REPORTER

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

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of December, 2019.

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