

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  
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

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

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

STAFF:

Mr. Brad Pacheco, Deputy Executive Officer, 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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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 Henry Jones?

8 PRESIDENT JONES: Here.

9 BOARD SECRETARY BUCHANAN: Theresa Taylor?

10 VICE PRESIDENT TAYLOR: Good morning.

11 BOARD SECRETARY BUCHANAN: Margaret Brown?

12 PRESIDENT JONES: Excused.

13 BOARD SECRETARY BUCHANAN: Rob Feckner?

14 BOARD MEMBER FECKNER: Happy Holidays.

15 BOARD SECRETARY BUCHANAN: Happy Holidays.

16 Frank Ruffino for Treasurer Ma?

17 ACTING BOARD MEMBER RUFFINO: Present.

18 BOARD SECRETARY BUCHANAN: Lisa Middleton?

19 BOARD MEMBER MIDDLETON: Present.

20 BOARD SECRETARY BUCHANAN: David Miller?

21 BOARD MEMBER MILLER: Here.

22 BOARD SECRETARY BUCHANAN: Stacie Olivares?

23 BOARD MEMBER OLIVARES: Here.

24 BOARD SECRETARY BUCHANAN: Eraina Ortega?

25 BOARD MEMBER ORTEGA: Here.

1 BOARD SECRETARY BUCHANAN: Jason Perez?

2 BOARD MEMBER PEREZ: Here.

3 BOARD SECRETARY BUCHANAN: Ramon Rubalcava?

4 BOARD MEMBER RUBALCAVA: Here.

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

7 ACTING BOARD MEMBER PAQUIN: Here.

8 PRESIDENT JONES: Okay. Thank you.

9 The second item is approval of the timed agenda.

10 So if we could --

11 VICE PRESIDENT TAYLOR: Move approval.

12 PRESIDENT JONES: Moved by Ms. Taylor.

13 BOARD MEMBER FECKNER: Second.

14 PRESIDENT JONES: Second by Mr. Feckner.

15 All those in favor say aye?

16 (Ayes.)

17 PRESIDENT JONES: Opposed?

18 Hearing none. The item passes.

19 The next item is Pledge of Allegiance and I've  
20 asked Ms. Ortega to lead us in the Pledge.

21 (Thereupon the Pledge of Allegiance was  
22 recited in unison.)

23 PRESIDENT JONES: Well thank you. And good  
24 morning again. To start our day, we're going to listen to  
25 the beautiful voices of our very own CalPERS chorus.

1           Board members, would you please take a seat in  
2 the audience for this performance. So, please.

3           (Thereupon the CalPERS choir sang.)

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

6           (Applause.)

7           PRESIDENT JONES: Thank you.

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

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

24           Many ideas emerge on how we could enhance our  
25 governance and be more effective in our oversight role of

1 the system. We landed on five key areas or workstreams,  
2 as we call them. They include: education of the Board,  
3 particularly new Board members; roles and responsibilities  
4 of the Board; our meeting schedule, Committee structure,  
5 and meeting materials; how we can conduct ourselves as  
6 Board and Board members; and lastly, a focus on innovative  
7 technologies to help keep us informed during those times  
8 that we're not in this meeting room.

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

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

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

23           We enriched our Board education program by  
24 developing education models for each committee, starting  
25 with the Investment Committee.

1           We held workshops on our total fund approach,  
2 risk and return basics, fixed income, public equity, and  
3 this month private markets.

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

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

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

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

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

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

1 responsibilities.

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

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

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

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

25           So, Mona, would you please join me on the stage.

1 Where is Mona?

2 Oh, there she is.

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

6 MS. PASQUIL ROGERS: Thank you.

7 PRESIDENT JONES: Okay.

8 So I think. Wait just a minute.

9 (Applause.)

10 PRESIDENT JONES: You've got to say something.  
11 No, you can't just leave like that.

12 (Laughter.)

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

17 (Laughter.)

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

25 I've seen you all reach out to people

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

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

14           Thank you so very much.

15           (Applause.)

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

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

1 teams through Y2K.

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

6 Donna, will you please join me on the stage.

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

12 So let's get a picture.

13 (Applause.)

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

21 So I first want to thank the Board of  
22 Administration for all of the work that we've done  
23 together. As I mentioned yesterday in the Pension and  
24 Health Benefits Committee meeting, it's been a pleasure to  
25 have worked with you on so many legislative and regulatory

1 changes, as well as a number of strategic and policy  
2 issues.

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

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

17           I also want to thank the stakeholders who are  
18 here, who have been here to support a lot of the  
19 discussions that we've had over the last couple of years,  
20 especially in the Pension and Health Benefits Committee.  
21 We've listened to you. We've implemented a lot of the  
22 really good ideas that you've had. And certainly, I hope  
23 that we've made a difference in the partnership that we  
24 have with our stakeholders and the implementation of  
25 change.

1 I also want to thank all of the team members  
2 throughout CalPERS. The success that we've had in the  
3 areas of customer service couldn't have been done with a  
4 lot -- without a lot of the collaboration and the  
5 partnerships that we've created throughout the entire  
6 organization. And there was never a time when we reached  
7 out and asked for support where we it didn't have it. And  
8 certainly I, too, want to thank you all of you for helping  
9 to lead the team through success.

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

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

1 (Applause.)

2 PRESIDENT JONES: Thank, you Donna.

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

5 Oh, my goodness. So you have all been a  
6 wonderful extension of my family, my ohana. Those of you  
7 that know me really well know that ohana is extremely  
8 important to me. It's about family. It's about your  
9 neighbors, your community, the people that you work with.  
10 But a big part of my career, my success, my ability to  
11 come to work every day and to give everything that I can  
12 has really been a lot of credit to my family. My husband,  
13 he is here today, Alan, with the video.

14 (Applause.)

15 DEPUTY EXECUTIVE OFFICER LUM: Some of you  
16 recognize Alan. Alan had about a three and a half year  
17 stint here at CalPERS. And he is also retiring at the  
18 same day -- on the day. We're both retiring together.  
19 But you know my family has been through a lot. When you  
20 have a career as long-standing as ours have been for the  
21 two of us. And so I just want to extend a thank you to my  
22 family. They can't be here today. My son was recently  
23 deployed into active duty, but I believe that he is on the  
24 webcast watching, and so is my daughter.

25 So, Alan, thank you for being there for me.

1 Thank you for celebrating my retirement. And I look  
2 forward to the many wonderful years that we will have in  
3 retirement together.

4 Thank you.

5 (Applause.)

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

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

12 Okay.

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

14 (Thereupon a recess was taken.)

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

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

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

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

23 I'd like to start by thanking you all for  
24 attending yesterday's winter gathering. I know that's an  
25 opportunity each year that the Board and the team here at

1 CalPERS can have some more personal interaction action.  
2 And I know the team really looks forward to doing that.  
3 It was also just a nice timeout from the day-to-day  
4 workload to be able to wish everyone a Happy Holiday  
5 Season.

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

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

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

25           I'd also like to thank Donna for her service to

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

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

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

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

23           So moving on to this week's business. On Monday  
24 we did hold the final Investment Committee workshop. This  
25 time it was on the private asset classes or private

1 markets. And as we've been discussing for months now, the  
2 private markets are really critical to the portfolio. And  
3 I think Ben has -- he's done a quite good job of  
4 explaining why private assets are important in order for  
5 us to hit our seven percent return target.

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

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

20 Turning to some outreach activities. Two weeks  
21 ago, I participated on a panel discussion for the  
22 California School Boards Association at their annual  
23 Education Conference and Trade Expo. Like many of our  
24 employers, schools face significant budget challenges and  
25 constraints. So this is a good opportunity to not only

1 hear their concerns, but also to really layout the top  
2 priorities for this system. This was another place where  
3 that 20-year look-back that we had created about how did  
4 CalPERS from a superfunded status, and I'll air quote  
5 superfunded stats, at 128 percent why is the system still  
6 roughly 70 percent funded today. So building that  
7 waterfall, if you will, to explain the past 20 years, but  
8 more importantly really looking at the ten-year look  
9 forward. And I think that those were very meaningful  
10 conversations with school boards.

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

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

24 I also mentioned that the Pension Outlook  
25 planning tool was rolled out at the Education Forum. And

1 this is one of the tools that the public agencies can use  
2 to do their own forecasting around contribution rates, so  
3 as they're thinking about their budgets, one, three, and  
4 five years, they now have a tool in their hands that they  
5 can -- they can do that on their own in a self-served way.

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

11           A couple of days later, last Friday - thank you  
12 Ms. Taylor - I also spoke with the Board of SEIU Local  
13 1000 at their quarterly board meeting. And I was honored  
14 to be able to talk at that event and was -- I got a call  
15 from their President Yvonne Walker. And so really  
16 appreciated her outreach to me. It -- I spoke for about  
17 20 minutes just generally about the state of the pension  
18 system, but it was a group that was very engaged.

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

25           And then coming up next month is the first ever

1 stakeholder forum on January 22nd. That will be held  
2 here. We're looking forward to providing our stakeholders  
3 with information on key issues around health, around  
4 pensions, and around sustainability of the fund, and also  
5 having some very constructive dialogue. And I know that  
6 many of you will be interacting in that session as well.

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

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

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

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

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

22 VICE PRESIDENT TAYLOR: Motion.

23 PRESIDENT JONES: Motion by Ms. Taylor.

24 BOARD MEMBER MILLER: Second.

25 PRESIDENT JONES: Second by Mr. Miller.

1 All those in favor say aye?

2 (Ayes.)

3 PRESIDENT JONES: Opposed?

4 Seeing none.

5 The item passes.

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

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

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

12 The Investment Committee met on December 16th,  
13 2019. The Committee approved the following:

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

17 The Committee received reports on the following  
18 topics:

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

25 The Chair directed staff to expand the

1 Climate-Related Financial Risk Report, and a member  
2 request to calendar an item regarding divestment in 2020.

3 The Committee heard public comment on the  
4 following topics:

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

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

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

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

16 Thank you, Mr. President.

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

18 The next item is the Pension and Health Benefits.  
19 For that, I call on the Chair, Mr. Feckner.

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

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

24 The Committee received an additional update on  
25 mental health issues and treatment among CalPERS' members;

1 the Committee received public comment regarding changes to  
2 the federal budget bill that may affect -- may impact  
3 CalPERS, network discussions in Santa Barbara County, and  
4 the recent mental health presentations.

5 The Chair directed staff to:

6 Research whether the PERS Select mobile  
7 application can be used to help identify eligible members  
8 for the Future Moms Program;

9 Report back to the Committee on the following  
10 items:

11 Mental health challenges that were discussed  
12 during the December meeting;

13 What percentage of the increase in national  
14 mental health providers are in California;

15 The average cash rate for mental health  
16 reimbursement by metropolitan statistical area;

17 And, whether members are paying a higher cost  
18 share when using an out-of-network mental health provider.

19 At this time, I would like to share some  
20 highlights of what to expect at the March PHBC meeting:

21 The Committee will receive updates on health  
22 enrollment -- open enrollment results, the CalPERS  
23 Long-Term Care Program, the PERS Select Value-Based  
24 Insurance Design, retiree cost of living, and review the  
25 Pension and Health Benefits Committee Delegation.

1           The next Committee of the PHBC is scheduled for  
2 March 17th, 2020 in Sacramento, California.

3           Thank you, Mr. President.

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

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

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

12          Mr. Shah, are you there?

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

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

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

18          I move to adopt the proposed decisions at Agenda  
19 Items 9a1 through 12 with the minor modifications argued  
20 by staff to Agenda Items 9a7 and 12.

21          PRESIDENT JONES: It's been moved by Ms. Taylor.

22          Is there --

23          BOARD MEMBER MILLER: Second.

24          PRESIDENT JONES: Second by Mr. Miller.

25          All those in favor say aye?

1 (Ayes.)

2 PRESIDENT JONES: Opposed?

3 The item passes.

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

6 Moved by Ms. Taylor.

7 BOARD MEMBER MILLER: Second.

8 VICE PRESIDENT TAYLOR: Second by Mr. Miller.

9 All those in favor say aye?

10 (Ayes.)

11 PRESIDENT JONES: Opposed?

12 Hearing none.

13 The item passes. Thank you.

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

16 Thank you, Mr. Shah.

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

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

25 We're not anticipating that any of the bills that

1 will be taken up in January will have a significant impact  
2 on CalPERS, but we'll definitely be monitoring closely.  
3 We'll probably spend most of January trying to reconnect  
4 with key members of the Legislature and their staff, and  
5 then just providing them an update on what our priorities  
6 are for the year.

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

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

25           This spending deal also included the CREATES Act,

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

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

14 That kind of covers what was included in the  
15 budget proposal, but I did want to -- or budget the bill.

16 But I did want to just kind of touch on two  
17 things that weren't included that we've been talking about  
18 a lot. And that is balanced billing and lowering  
19 prescription drug cost. There actually was some movement  
20 over the last several weeks on balanced billing. The  
21 Chair of the Senate HELPs Committee, Senator Lamar  
22 Alexander, reached an agreement with the Chair and Ranking  
23 Member of the House Energy and Commerce Committee on  
24 balanced billing. And there was actually even reports  
25 that that might be thrown into the Budget Bill, but

1 obviously that didn't happen. There still may be an  
2 opportunity next May.

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

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

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

24           And then the last thing is I just want to bring  
25 to your attention a couple of support letters that we sent

1 out earlier this month. The first was on HR 2534 on the  
2 Insider Trading Prohibition Act by Representative Himes of  
3 Connecticut. That passed out of the House this month on a  
4 vote of 410 to 13. It would prohibit certain securities  
5 trading and related communications by those who possess  
6 material and non-public information.

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

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

23 PRESIDENT JONES: Thank you, Mr. Brown.

24 Mr. Perez.

25 BOARD MEMBER PEREZ: Good morning, Mr. Brown.

1           On HR 4527, the expanding health care options.  
2 Do you have an idea whether or not that's --

3           (Sneezing.)

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

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

8           BOARD MEMBER PEREZ: 4527.

9           LEGISLATIVE AFFAIRS DIVISION CHIEF BROWN:

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

23          BOARD MEMBER PEREZ: Thank you.

24          PRESIDENT JONES: Okay.

25          Ms. Taylor.

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

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

8           VICE PRESIDENT TAYLOR: Yeah.

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

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

13          Thank you.

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

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

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

20          PRESIDENT JONES: Neither did I.

21          CHIEF EXECUTIVE OFFICER FROST: Okay. Good.

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

1 here on my left.

2 The first two Mr. Darby and Ms. Jacobs.

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

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

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

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

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

1 to be a member of more than one retiree association.

2 (Laughter.)

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

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

12 Thank you.

13 PRESIDENT JONES: Thank you, Mr. Darby.

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

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

21 In 2002, I filed a litigation against this -- not  
22 this particular board, but another board. They failed to  
23 appear to the court and answer the litigation. They  
24 solicited the assistance of the Attorney General's office,  
25 who could not represent the State -- I mean, the -- could

1 not represent CalPERS, because it only involved a private  
2 pension litigation regarding my funds.

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

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

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

25           For your information, I've instructed Tamara

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

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

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

25 MS. JACOBS: Okay.

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

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

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

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

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

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

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

22          MS. JACOBS: The added themselves into my  
23 litigation -- (inaudible) You guys can sit there. Twenty  
24 years. Rob Feckner, you know you have a default against  
25 you.

1           PRESIDENT JONES: I'm going to ask you --

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

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

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

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

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

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

18           MS. JACOBS: -- by your security --

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

22           MS. JACOBS: I hope you guys are listening.

23           (Inaudible.)

24           MS. JACOBS: I gave you warning. This Board  
25 knows. So anybody who conspires with others and failed to

1 do anything about it is a part of the conspiracy from  
2 beginning to the end.

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

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

8           Mr. Johnson and Mr. Behrens.

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

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

19           We have some unique things, as Marcie articulated  
20 in her comments about the School Boards Association. The  
21 schools have some unique circumstances that interact what  
22 CalPERS, and Donna Lum has assisted us in making sure that  
23 we have all of the resources that we need to address  
24 those, whether that's the 30 Saturday seminars where we  
25 pay for facilities and she provide the staff, to come to

1 those to speak solely to the benefits that are provided  
2 under the schools pool, whether that's the unique  
3 circumstances where we're at the bargaining table trying  
4 to mitigate the damages from a CalPERS audit, or trying to  
5 get employers to adhere to the law that may have been in  
6 place, you know, recently, since the seventies -- that's  
7 been there since the seventies, but we're still not  
8 adhering to, or whether it's the unfortunate circumstance  
9 of a member's death, a fire, or a retiree who has  
10 accidentally exceeded the 960-hour rule.

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

15 Thank you.

16 PRESIDENT JONES: Thank you.

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

22 PRESIDENT JONES: Future.

23 MR. BEHRENS: Future?

24 PRESIDENT JONES: Yes.

25 MR. BEHRENS: Okay. Then I was just going to

1 remind you that you're going to start reporting out, so we  
2 can find out the value of your travels and I appreciate  
3 that. So with that, Happy Holidays and I'm looking  
4 forward to a better 2020 in the funding for our CalPERS  
5 pensions.

6 Thank you.

7 PRESIDENT JONES: Thank you.

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

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

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

23 I also want to thank Mona Pasquil Rogers, who is  
24 no longer a member of the Board. Unfortunately, she had a  
25 brief period on the Board, so some of the things she could

1 have done will never happen or at least she won't be  
2 involved in them.

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

8           With that, Happy Holidays

9           PRESIDENT JONES: Thank you very much.

10           Okay. So that concludes the public comments.  
11 And I would just like to, on behalf of the Board, extend a  
12 Happy Holiday to all of our 3,000 staff members and our  
13 1.9 million members, and our 3,000 agencies that we serve.  
14 So have a wonderful holiday.

15           And with that, this meeting is adjourned.

16           (Thereupon the California Public Employees'  
17 Retirement System, Board of Administration  
18 open session meeting adjourned at 10:32 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 20th day of December, 2019.

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