


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION**

**MINUTES OF MEETING
Wednesday, December 16, 2015**



The Board of Administration met on Wednesday, December 16, 2015 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:04 a.m. and the following members were present:

Rob Feckner, President
Henry Jones, Vice President
Michael Bilbrey
Grant Boyken for John Chiang
Richard Costigan
Richard Gillihan
Dana Hollinger
JJ Jelincic
Priya Mathur
Bill Slaton
Theresa Taylor
Lynn Paquin for Betty Yee

Board of Administration Members excused: Ron Lind

AGENDA ITEM 3 – PRESIDENT’S REPORT

President Feckner dedicated his report to the employees at CalPERS for their dedication and commitment to serving the members as well as their families. President Feckner also thanked the leadership team for their outstanding work.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Ms. Stausboll thanked the entire staff for all that was accomplished in 2015. Ms. Stausboll also thanked the Board for its support and continued leadership.

Ms. Stausboll reported on current initiatives and priorities including the final Comprehensive Annual Financial Report; Public Agency Employer Valuation Reports; Funding Risk Mitigation Policy; Excise Tax; Investment Portfolio Priorities Project; ESG Strategy Workshop; and the launch of the Idea Factory, an internal program to spark innovation.

She also reported on the following events on the 2016 calendar: the CalPERS Benefits Education Events, the International Corporate Governance Network Conference, the Emerging and Diverse Manager Day, and the Employer Educational Forum.

Ms. Stausboll congratulated Mr. Eliopoulos and the entire investment team for receiving the 2015 Asset Owner Award for public defined benefit plans above \$100 billion from the Chief Investment Officer magazine.

b. Chief Investment Officer Report

Ted Eliopoulos, Chief Investment Officer, reported on the portfolio:

As of October 31, 2015 for a three-month period, the total fund performance for the fiscal year-to-date is negative 1 percent. Importantly, much longer time periods are more meaningful to measure the performance. The 3-year return of the total fund is 9.1 percent and the 5-year return is at 8.4 percent. The 10-year return is at 5.8 percent and the 20-year return of the total fund is 7.4 percent. All asset class allocations are within policy ranges. The total fund assets are valued at \$295.8 billion.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- a. Approval of November 18, 2015 Board of Administration Meeting Minutes
- b. Board Travel Approvals

Four additional travel requests were submitted by Theresa Taylor, JJ Jelincic and Henry Jones. The requests are attached to these minutes.

On **MOTION** by Michael Bilbrey, **SECONDED** by Richard Costigan and **CARRIED**, the Board approved Action Consent Items 5a and 5b.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

- a. Board Meeting Calendar
- b. Draft Agenda for February 18, 2016 Board of Administration Meeting
- c. General Counsel's Report
- d. External Affairs Report

AGENDA ITEM 7 – COMMITTEE REPORTS AND ACTIONS

a. Investment Committee

Henry Jones, Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Monday, December 14, 2015.

Additional information may be found in the December 14, 2015 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for February 16, 2016 in Sacramento, California.

b. Pension and Health Benefits Committee

Priya Mathur, Chair, Pension and Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, December 15, 2015.

On **MOTION** by Committee and **CARRIED**, with one abstention by Richard Gillihan, the Board approved staff's recommendation to sponsor legislation to make minor clarifying technical changes to the sections of the Government Code administered by the California Public Employees' Retirement System. The Proposal will not include the amendment to the statute regarding Board approval of Association Plan rates. (PHBC Item 5)

Additional information may be found in the December 15, 2015 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for February 17, 2016 in Sacramento, California.

c. Finance and Administration Committee

Richard Costigan, Chair, Finance and Administration Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, December 15, 2015.

On **MOTION** by Committee and **CARRIED**, the Board approved the California Public Employees' Retirement System Fiscal Year (FY) 2015-16 Mid-Year Total Budget of \$1,807,600,000. (FAC Item 5a)

On **MOTION** by Committee and **CARRIED**, with one abstention by Richard Gillihan, the Board approved the sponsored legislation to make policy and technical changes to sections of the Government Code affecting the benefit programs administered by the California Public Employees' Retirement System (CalPERS). (FAC Item 6a)

Additional information may be found in the December 15, 2015 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for February 17, 2016 in Sacramento, California.

d. Performance, Compensation and Talent Management Committee

Michael Bilbrey, Chair, Performance, Compensation, and Talent Management Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, December 15, 2015.

Additional information may be found in the December 15, 2015 Agenda materials and transcripts of the Subcommittee meeting.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for March 15, 2016 in Sacramento, California.

e. Risk and Audit Committee

The Committee did not meet.

The next meeting of the Risk and Audit Committee is scheduled for March 16, 2015 in Sacramento, California.

f. Board Governance Committee

Bill Slaton, Chair, Board Governance Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, December 15, 2015.

On **MOTION** by Committee and **CARRIED**, the Board approved the Proposed Revisions to the Board Travel Policy. (GOV Item 5)

On **MOTION** by Committee and **CARRIED**, the Board approved the Proposed Revisions to the Board Education Policy. (GOV Item 6)

On **MOTION** by Committee and **CARRIED**, with one abstention by JJ Jelincic, the Board approved the Proposed Revisions to the Board's 2016 Calendar.
(GOV Item 7)

Additional information may be found in the December 15, 2015 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Board Governance Committee is scheduled for February 16, 2016 in Sacramento.

AGENDA ITEM 8 – PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGES

On **MOTION** by Henry Jones, **SECONDED** by Richard Costigan and **CARRIED**, the Board approved the Independent Board Counsel's recommendations and adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8a and 8b, 8d through 8f, and 8h through 8o as the Board's own decisions with the minor modification to the Agenda Item 8o as argued by staff.

On **MOTION** by Henry Jones, **SECONDED** by Dana Hollinger and **CARRIED**, the Board approved the Independent Board Counsel's recommendations and remanded the proposed decision for Agenda Item 8c for the taking of additional evidence regarding the opinions and the writings of Dr. Kaer.

On **MOTION** by Henry Jones, **SECONDED** by Michael Bilbrey and **CARRIED**, the Board approved the Independent Board Counsel's recommendation to schedule Agenda Item 8g for a Full Board Hearing on the question whether the special salary adjustment reached pursuant to settlement should be included in the member's final compensation calculation.

AGENDA ITEM 9 – PETITIONS FOR RECONSIDERATION

On **MOTION** by Henry Jones, **SECONDED** by Dana Hollinger and **CARRIED**, the Board approved the Independent Board Counsel's recommendation and denied the petition for reconsideration in Agenda Items 9a through 9d.

AGENDA ITEM 10 – FULL BOARD DECISION – BRUCE MALKENHORST

On **MOTION** by Henry Jones, **SECONDED** by Richard Costigan and **CARRIED**, with one abstention by JJ Jelincic, the Board approved the Independent Board Counsel's recommendation and adopted the Full Board decision as presented at Agenda Item 10 as the Board's final decision.

President Feckner moved Agenda Item 11 to be heard after Agenda Items 14 and 16.

AGENDA ITEM 14 – STATE LEGISLATION

Mary Anne Ashley, Legislative Affairs Division Chief, provided an update on State Legislation.

AGENDA ITEM 16 – PUBLIC COMMENT

Roberta Almeida, CalPERS member spoke in regards to Government Code Section 20283 of the Public Employees Retirement Law.

AGENDA ITEM 11 – FULL BOARD HEARINGS – RICHARD LEWIS AND CHRISTINE LONDO

a. Richard Lewis

The following members were present:

Rob Feckner, President
Michael Bilbrey
Grant Boyken for John Chiang
Richard Costigan
Katie Hagen for Richard Gillihan
Dana Hollinger
JJ Jelincic
Priya Mathur
Bill Slaton
Theresa Taylor
Lynn Paquin for Betty Yee

Board of Administration Members excused: Henry Jones and Ron Lind

At the October 21, 2015 Board meeting, the Board rejected the proposed decision of the Administrative Law Judge (ALJ) and scheduled this matter for a full Board hearing on whether the compensation at issue should be included in Mr. Lewis's final compensation calculation.

Wesley Kennedy, Senior Staff Counsel appeared for CalPERS. John Jensen, Attorney, represented Richard Lewis.

Chirag Shah, the Board's independent counsel on full Board hearings arising from the proposed decisions of the OAH, was present to guide and advise the Board in these proceedings.

President Feckner reminded those present that the record from the hearing before the ALJ stands as is, but the parties have the opportunity to present oral and written

arguments. Mr. Lewis and CalPERS staff had submitted written arguments. President Feckner provided a general outline of the procedures for the hearing and confirmed that all parties received copies of the Statement of Policy and Procedures for Full Board Hearings before the Board.

Mr. Shah provided a brief summary of the case and the substantive facts.

Mr. Kennedy then presented CalPERS' Staff's arguments.

Mr. Jensen then presented arguments on behalf of Mr. Lewis.

Mr. Kennedy and Mr. Jensen each presented their rebuttal arguments.

The floor was then opened for questions by the Board.

The attorneys were asked questions by the Board members for approximately 30 minutes.

The Board then recessed at 11:12 a.m.

The public meeting reconvened at approximately 11:20 a.m.

b. Christine Londo

The following members were present:

Rob Feckner, President

Michael Bilbrey

Grant Boyken for John Chiang

Richard Costigan

Katie Hagen for Richard Gillihan

Dana Hollinger

JJ Jelincic

Priya Mathur

Bill Slaton

Theresa Taylor

Lynn Paquin for Betty Yee

Board of Administration Members excused: Henry Jones and Ron Lind

At the October 21, 2015 Board meeting, the Board rejected the proposed decision of the Administrative Law Judge (ALJ) and scheduled this matter for a full Board hearing on a question of whether the \$5,000 compensation at issue should be included in Ms. Londo's final compensation calculation.

Wesley Kennedy, Senior Staff Counsel appeared for CalPERS. Stephen Silver, Attorney, represented Christine Londo.

Chirag Shah, the Board's independent counsel on full Board hearings arising from the proposed decisions of the OAH, was present to guide and advise the Board in these proceedings.

President Feckner reminded those present that the record from the hearing before the ALJ stands as is, but the parties have the opportunity to present oral and written arguments. Ms. Londo and CalPERS staff had submitted written arguments. President Feckner provided a general outline of the procedures for the hearing and confirmed that all parties received copies of the Statement of Policy and Procedures for Full Board Hearings before the Board.

Mr. Shah provided a brief summary of the case and the substantive facts.

Mr. Kennedy then presented CalPERS' Staff's arguments.

Mr. Silver then presented arguments on behalf of Ms. Londo.

Mr. Kennedy and Mr. Silver each presented their rebuttal arguments.

The floor was then opened for questions by the Board.

The attorneys were asked questions by the Board members for approximately 20 minutes.

The Board then recessed into closed session to deliberate on the Full Board Hearings at 12:08 p.m.

AGENDA ITEM 12 – DILIBERATE ON FULL BOARD HEARINGS (GOVERNMENT CODE SECTION 11126(c)(3))

The public meeting reconvened at approximately 12:44 p.m.

AGENDA ITEM 13 – ANNOUNCEMENT OF ACTION TAKEN ON FULL BOARD HEARINGS

The following members were present:

Rob Feckner, President
Michael Bilbrey
Grant Boyken for John Chiang
Richard Costigan
Katie Hagen for Richard Gillihan
Dana Hollinger

JJ Jelincic
Priya Mathur
Bill Slaton
Theresa Taylor
Lynn Paquin for Betty Yee

Board of Administration Members excused: Henry Jones and Ron Lind

a. Richard Lewis

On **MOTION** by Bill Slaton, **SECONDED** by Priya Mathur and **CARRIED**, the Board denied the appeal and revised the proposed decision as argued by staff.

b. Christine Londo

On **MOTION** by Priya Mathur, **SECONDED** by Richard Costigan and **CARRIED**, the Board denied the appeal and revised the proposed decision as argued by staff.

The Voting Reports are attached to these minutes.

AGENDA ITEM 15 – SUMMARY OF BOARD DIRECTION

No direction other than the items reported above.

Meeting was recessed to closed session at 12:47 p.m.

ANNE STAUSBOLL
Chief Executive Officer

Attachments:

1. Theresa Taylor requested to go to the International Foundation of Employee Benefit Plans Two Day Program 1/10-12/2016 in Washington, D.C.
2. JJ Jelincic requested to go to the Risk Allocation and Investment Solutions Seminar 2/2-6/2016 in New Haven, CT.
3. Henry Jones requested to go to the CII Spring Conference 3/20-23/2016 in Washington D.C.
4. Henry Jones requested to go to the CII Conference 9/25-28/2016 in Chicago, IL.
5. December 2015 Board Meeting Roll Call Vote



Agenda Item 5b

December 16, 2015

ITEM NAME: Board Travel Approvals

PROGRAM: Board of Administration

ITEM TYPE: Action Consent

RECOMMENDATION

Approve travel requests as required under the Board of Administration's travel policy.

Over \$500/Out of State/Country Travel Requests Approved by Board President:

Board Member	Date	Destination	Purpose of Travel
Theresa Taylor	1/10/16-1/12/16	Washington, DC	International Foundation of Employee Benefit Plans Two Day Program
Dana Hollinger	1/27/16-1/29/16	La Costa, CA	Attend Institutional Real Estate Conference
JJ Jelincic	2/2/16-2/6/16	New Haven, CT	Risk Asset Allocation and Investment Solutions Seminar
Dana Hollinger	3/9/16-3/11/16	Half Moon Bay, CA	Attend Women's Private Equity Summit
Henry Jones	3/20/16-3/23/16	Washington, DC	Attend CII Spring Conference
Ron Lind	4/26/16-4/29/16	Beverly Hills, CA	Attend Public Funds Roundtable
Henry Jones	9/25/16-9/28/16	Chicago, IL	Attend CII Fall Conference

Rob Feckner, President
Board of Administration

Subject Vote Report

Customer field 1

Board of Administration 12/16/15

12/16/2015 2:51:13 PM

Customer field 2

Customer field 3

Subject Title

13. Announcement of Action Taken on Full Board Hearings
a. Richard Lewis

Total Vote Result

Yes	8
Abstain	0
No	2
Total present	10
Seats	13

Group Voting Result

Group	Yes	Abstain	No	Absent
IND	8	0	2	12

Group Voting Conclusion

Motion approved

8 votes for the motion (Priya Mathur (IND), Bill Slaton (IND), Theresa Taylor (IND), Lynn Paquin for Yee (IND), Grant Boyken for Chiang (IND), Katie Hagen for Gillihan (IND), Michael Bilbrey (IND), Richard Costigan (IND))

0 votes neither for nor against the motion

2 votes against the motion (JJ Jelincic (IND), Dana Hollinger (IND))

Delegates Absent

Replaced Delegates

Acting Delegates

Subject Vote Report

Customer field 1

Board of Administration 12/16/15

12/16/2015 2:51:13 PM

Customer field 2

Customer field 3

Individual Voting Result

Name	Yes	Abstain	No	Absent
JJ Jelincic (IND)			X	
Ron Lind (IND)				X
Priya Mathur (IND)	X			
Bill Slaton (IND)	X			
Theresa Taylor (IND)	X			
Betty Yee (IND)				X
Lynn Paquin for Yee (IND)	X			
Christina Elliott for Chiang (IND)				X
Frank Moore for Chiang (IND)				X
Grant Boyken for Chiang (IND)	X			
Katie Hagen for Gillihan (IND)	X			
Ralph Cobb for Gillihan (IND)				X
Eric Lawyer for Chiang (IND)				X
Karen Greene-Ross for Yee (IND)				X
Alan Lofaso for Yee (IND)				X
Michael Bilbrey (IND)	X			
John Chiang (IND)				X
Richard Costigan (IND)	X			
Richard Gillihan (IND)				X
Dana Hollinger (IND)			X	
Henry Jones (IND)				X
Rob Feckner (IND)				X

Subject Vote Report

Customer field 1

Board of Administration 12/16/15

12/16/2015 2:51:38 PM

Customer field 2

Customer field 3

Subject Title

13. Announcement of Action Taken on Full Board Hearings
b. Christine Londo

Total Vote Result

Yes	6
Abstain	0
No	4
Total present	10
Seats	13

Group Voting Result

Group	Yes	Abstain	No	Absent
IND	6	0	4	12

Group Voting Conclusion

Motion approved

6 votes for the motion (Priya Mathur (IND), Lynn Paquin for Yee (IND), Grant Boyken for Chiang (IND), Katie Hagen for Gillihan (IND), Michael Bilbrey (IND), Richard Costigan (IND))

0 votes neither for nor against the motion

4 votes against the motion (JJ Jelincic (IND), Bill Slaton (IND), Theresa Taylor (IND), Dana Hollinger (IND))

Delegates Absent

Replaced Delegates

Acting Delegates

Subject Vote Report

Customer field 1

Board of Administration 12/16/15

12/16/2015 2:51:38 PM

Customer field 2

Customer field 3

Individual Voting Result

Name	Yes	Abstain	No	Absent
JJ Jelincic (IND)			X	
Ron Lind (IND)				X
Priya Mathur (IND)	X			
Bill Slaton (IND)			X	
Theresa Taylor (IND)			X	
Betty Yee (IND)				X
Lynn Paquin for Yee (IND)	X			
Christina Elliott for Chiang (IND)				X
Frank Moore for Chiang (IND)				X
Grant Boyken for Chiang (IND)	X			
Katie Hagen for Gillihan (IND)	X			
Ralph Cobb for Gillihan (IND)				X
Eric Lawyer for Chiang (IND)				X
Karen Greene-Ross for Yee (IND)				X
Alan Lofaso for Yee (IND)				X
Michael Bilbrey (IND)	X			
John Chiang (IND)				X
Richard Costigan (IND)	X			
Richard Gillihan (IND)				X
Dana Hollinger (IND)			X	
Henry Jones (IND)				X
Rob Feckner (IND)				X



Meeting Summary

December 15, 2015

The Investment Committee met on December 14, 2015.

The Committee discussed and approved the following:

- Transmission of the CalPERS Emerging Manager Five-Year Plan annual report to the California Legislature
- Proposed revisions to the Private Equity Program Policy

The Committee received presentations on:

- An update on the Investment Office roadmap
- An annual review of the Real Assets program by staff and consultants
- The first reading of proposed revisions to the Real Assets Program Policy
- The Responsible Contractor Policy Program Annual Update

The Committee heard public comment on the following:

- CalPERS Emerging Manager Five-Year Plan
- The revisions of the Private Equity Program Policy
- The Responsible Contractor Policy

Highlights of what to expect at the February Investment Committee meeting include:

- The second reading of proposed revisions to the Real Assets Program Policy
- CalPERS Trust Level Review
- The first reading of the Total Fund Investment Policy

The next meeting of the Investment Committee is scheduled for February 16, 2016 in Sacramento, California.



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION**

**MINUTES OF MEETING
Tuesday, January 19 through Thursday, January 21, 2016**



The CalPERS Board of Administration convened it's offsite meeting on Tuesday, January 19, 2016 at 8:00 am in Monterey, California.

The first order of business was the election of the Board President and the Vice President.

Rob Feckner was nominated for President by Teresa Taylor and voted in as President by the Board.

Henry Jones was nominated for Vice President by Dana Hollinger and was voted in as Vice President by the Board.

Chirag Shah, the Board's independent counsel on full Board hearings arising from the proposed decisions of the OAH, was on the telephone to guide and advise the Board in these proceedings.

Next, there were two full Board hearing decisions that were voted upon. The Board voted to adopt the final decision in both cases of Christine Londo and Richard Lewis. Henry Jones and Ron Lind abstained and JJ Jellencic voted no.

The Board voted to approve a travel request (attached) for Priya Mathur.

The Board then heard from Investment staff, consultants, and experts on the following topics:

- Workshop on Strategic Direction for Global Governance, Environmental Social and Governance (ESG) Integration, and Industry Context
- Investment Portfolio Priorities

There were three members of the public who commented on Fossil Fuel issues: Glen Fieldman, Deborah Sylvie and Susan Hartt.

Day one of the offsite adjourned at 4:00 pm.

On Wednesday, January 20, 2016, the Board began day two of it's offsite meeting at 8:30 am in Monterey, California.

The Board received Fiduciary Training presented by the Board's Fiduciary Counsel, Robert Klausner.

The Board also heard a presentation on the Excise Tax on High Cost Employer-Sponsored Health Coverage, given by staff and Yvette Fontenot, the Board's Federal Lobbyist on healthcare issues.

Day two concluded with a presentation by Eric Gonzaga and Bill Gentry from Grant Thornton on the Board's Executive Compensation Policy.

Public comment was given by David Sores, Mark Hidem and Neil Johnson.

Day two of the offsite adjourned at 3:15 pm.

Day three of the Board offsite began at 9:00 am on Thursday, January 21, 2016 in Monterey, California. The Board met in closed session.

The offsite concluded at 10:15 am.

ANNE STAUSBOLL
Chief Executive Officer

Attached:

1. Priya Mathur requested to go to the PRI Workshop and Board Meetings and to speak at the RI Asia Conference 2/20-28/2016 in Seoul, Korea and Tokyo, Japan.



Board of Administration
California Public Employees' Retirement System

Agenda Item

January 19, 2015

ITEM NAME: Board Travel Approvals

PROGRAM: Board of Administration

ITEM TYPE: Action Consent

RECOMMENDATION

Approve travel requests as required under the Board of Administration's travel policy.

Over \$500/Out of State/Country Travel Requests Approved by Board President:

Board Member	Date	Destination	Purpose of Travel
Priya Mathur	2/20/16-2/28/16	Seoul, Korea and Tokyo, Japan	PRI Workshop Speak at RI Asia Conference and PRI Board Meetings.

A handwritten signature in black ink, appearing to read "Rob Feckner".

Rob Feckner, President
Board of Administration