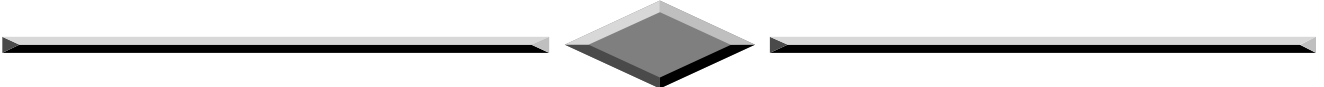


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
Thursday, February 18, 2016**



The Board of Administration met on Thursday, February 18, 2016 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
Ron Lind
Priya Mathur
Bill Slaton
Theresa Taylor
Lynn Paquin for Betty Yee

Board of Administration Members excused: None

AGENDA ITEM 3 – PRESIDENT'S REPORT

President Feckner provided an assessment of the state of the System.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Ms. Stausboll introduced new members of CalPERS' senior management team, Chief Risk Officer, Forrest Grimes and Chief of the Retirement, Research, and Planning Division, Jan Falzarano.

Ms. Stausboll reported on the following:

- The first reading of the CalPERS' Budget Policy,
- The second reading of the Business Plan for 2016-17,
- The first reading of the corresponding budget,
- A proposal on the next Strategic Plan,
- Health Care Rate Negotiations,
- Executive Employer visits,
- The CalPERS Benefits Education Events,
- The landscape changes in Lincoln Plaza North and also the work underway at Lincoln Plaza East and West,
- The Food Drive donations to the Sacramento Food Bank,
- And the kick-off for Jammin For The Cure.

Ms. Stausboll introduced CalPERS new Chief of the CalPERS Diversity Outreach Program, Rawlen Davis. Ms. Stausboll also mentioned the recent publication of the Annual Diversity and Inclusion Report and the recognition CalPERS received at the 16th Annual California State Agency Recognition Awards for our commitment to diversity.

Ms. Stausboll recognized the outstanding work of a group of employees who recently launched a new program, The Idea Factory.

b. Chief Investment Officer Report

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

As of December 31, 2015 for a six-month period, the total fund performance for the fiscal year-to-date is negative three percent. The three-year return of the total fund is 7.3 percent and the five-year return is at 7.2 percent. The ten-year return is at 5.1 percent and the 20-year return of the total fund is 7.1 percent. All asset class allocations are within policy ranges. The total fund assets are valued at \$289.9 billion.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- a. Approval of December 16, 2015 Board of Administration Meeting Minutes
On **MOTION** by Priya Mathur, **SECONDED** by Michael Bilbrey, and **CARRIED**, the Board approved Action Consent Item 5a with amendments.

b. Board Travel Approvals

Mr. Slaton noted he is not attending the Ceres Conference May 3-5, 2016 in Boston, Massachusetts.

On **MOTION** by Priya Mathur, **SECONDED** by Michael Bilbrey and **CARRIED**, with JJ Jelincic voting no, the Board approved Action Consent Item 5b.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

- a. Board Meeting Calendar
- b. Draft Agenda for March 16, 2016 Board of Administration Meeting
- c. General Counsel's Report
- d. Communications and Stakeholder Relations 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, February 16, 2016.

The Committee elected Henry Jones as Chair and Bill Slaton as Vice Chair.

Additional information may be found in the February 16, 2016 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for March 14, 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, February 17, 2016.

The Committee elected Priya Mathur as Chair and Michael Bilbrey as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved staff's recommendation to sponsor legislation to condense the number of retirement payment options currently in statute and regulations from 13 to five for members of

the CalPERS, the Judges' Retirement System and the Judges Retirement System II, that retire for the first time on or after January 1, 2018. (PHBC Item 6)

Additional information may be found in the February 17, 2016 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for March 15, 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, February 17, 2016.

The Committee elected Richard Costigan as Chair and Dana Hollinger as Vice Chair.

On **MOTION** by Committee and **CARRIED**, with one recusal by John Chiang, the Board approved sponsoring legislation to allow the implementation of the California Employers' Pension Prefunding Trust (CEPPT) Program to be administered by CalPERS, while continuing to work with stakeholders on the specific language for the proposed legislation.
(FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved the scoring methodology for Board Procurements with modification for an option three scoring methodology as discussed by the Committee. (FAC Item 6b)

Additional information may be found in the February 17, 2016 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for March 15, 2016 in Sacramento, California.

d. Performance, Compensation and Talent Management Committee

The Committee did not meet in February.

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 in February.

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, February 17, 2016.

The Committee elected Bill Slaton as Chair and Richard Costigan as Vice Chair.

On **Substitute Motion** by Henry Jones and **Seconded** by Bill Slaton, and **Defeated**, with a roll call vote, the Board declined to adopt the proposed amendment to the Board Governance Policy as contained in the agenda item, with the four consecutive one-year terms increased to six consecutive one-year terms. (GOV Item 6)

Attached to the minutes is the Roll Call Vote Report.

On **Motion** by Committee and **Defeated**, with a roll call vote, the Board declined to adopt the proposed amendment to the Board Governance Policy approved by the Committee. (GOV Item 6)

Attached to the minutes is the Roll Call Vote Report.

Public Comment

Jai Sookprasert representing the California School Employees Association spoke in opposition to the term limit proposal.

Neal Johnson representing SEIU 1000 spoke in opposition to the term limit proposal.

Terry Brennand representing SEIU California spoke in opposition to the term limit proposal.

Additional information may be found in the February 17, 2016 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Board Governance Committee is scheduled for March 15, 2016 in Sacramento.

AGENDA ITEM 8 – PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGES

On **MOTION** by Henry Jones, **SECONDED** by JJ Jelincic and **CARRIED**, the Board adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8a through 8hh, minus 8m as the Board's own decisions with the minor clarification/modifications as argued by staff.

On **MOTION** by Ron Lind, and **SECONDED**, by Priya Mathur, and **CARRIED**, the Board approved to set 8m for a Full Board Hearing.

AGENDA ITEM 9 – PETITIONS FOR RECONSIDERATION

On **MOTION** by Henry Jones, **SECONDED** by Richard Costigan and **CARRIED**, the Board denied the petitions for reconsideration in Agenda Items 9a and 9b.

AGENDA ITEM 10 – FULL BOARD HEARING – TIMOTHY BACON, DARRYL HURT (CONSOLIDATED)

AGENDA ITEM 11 – DELIBERATE ON FULL BOARD HEARING (Government Code section 11126(c)(3))

AGENDA ITEM 12 – ANNOUNCEMENT OF ACTION TAKEN ON FULL BOARD HEARING

Agenda Items 10, 11 and 12 were moved to the end of open session.

AGENDA ITEM 13 – STATE LEGISLATION

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

AGENDA ITEM 14 – SUMMARY OF BOARD DIRECTION

No direction given.

AGENDA ITEM 15 – PUBLIC COMMENT

Public comments were made during Agenda Item 7f.

AGENDA ITEM 10 – FULL BOARD HEARING – TIMOTHY BACON, DARRYL HURT (CONSOLIDATED)

a. Timothy Bacon, Darryl Hurt (Consolidated)

The following members were present:

Rob Feckner, President
Henry Jones, Vice President
Michael Bilbrey
Eric Lawyer for John Chiang
Richard Costigan
Katie Hagen for Richard Gillihan
Dana Hollinger
JJ Jelincic
Ron Lind
Priya Mathur
Bill Slaton
Theresa Taylor
Lynn Paquin for Betty Yee

Board of Administration Members excused: None

At the December 16, 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. Bacon and Mr. Hurt's final compensation calculation.

Preet Kaur, Senior Staff Counsel and Marguerite Seabourn, Assistant Chief Counsel appeared for CalPERS. John Bolander, Attorney, represented Timothy Bacon and Darryl Hurt. Mr. Neil Okazaki, Attorney, represented the City of Riverside.

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. Bacon and Mr. Hurt 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.

Ms. Kaur then presented CalPERS' Staff's arguments.

Mr. Bolander and Mr. Okazaki then presented arguments on behalf of Mr. Bacon and Mr. Hurt.

Ms. Kaur and Mr. Bolander 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 Hearing at 10:45 a.m.

The public meeting reconvened at approximately 11:00 a.m.

AGENDA ITEM 12 – ANNOUNCEMENT OF ACTION TAKEN ON FULL BOARD HEARINGS

On **MOTION** by Henry Jones, **SECONDED** by Priya Mathur and **CARRIED**, with a roll call vote, the Board denied the appeals of Timothy Bacon and Darryl Hurt and revised the proposed decision as recommended by staff.

The Roll Call Report is attached to these minutes.

Meeting was recessed to closed session at 11:01 a.m.

ANNE STAUSBOLL
Chief Executive Officer

Attachments:

1. Priya Mathur requested to go to the PRI 10th Anniversary Event 4/13-17/2016 in New York, N.Y.
2. Dana Hollinger requested to go to the Private Equity Investor Summit 4/14-16/2016 in Hong Kong.
3. Henry Jones requested to go to the ICGN Annual Conference 6/27-29/2016 in San Francisco, CA.
4. Rob Feckner requested to go to the ICGN Conference 6/27-29/2016 in San Francisco, CA
5. Board Governance Amended Agenda Item 6 Board Meeting Roll Call Vote
6. Board Governance Original Agenda Item 6 Board Meeting Roll Call Vote
7. Board of Administration Full Board Hearing Voting Report



Agenda Item 5b

February 18, 2016

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
Bill Slaton	3/20/16 – 3/23/16	Washington, DC	Council of Institutional Investors Spring Conference
Betty Yee	3/20/16 – 3/23/16	Washington, DC	Council of Institutional Investors Spring Conference
JJ Jelincic	3/20/16 – 3/26/16	Washington, DC	Council of Institutional Investors Spring Conference
<i>Priya Mathur</i>	<i>4/13/16-4/17/16</i>	<i>New York, NY</i>	<i>PRI 10th Anniversary Event</i>
<i>Dana Hollinger</i>	<i>4/14/16-4/16/16</i>	<i>Hong Kong</i>	<i>Private Equity Investor Summit</i>
Bill Slaton	5/3/16 – 5/5/16	Boston, MA	Ceres Conference
Henry Jones	6/8/16 – 6/11/16	New York, NY	Toigo Board Meeting
<i>Henry Jones</i>	<i>6/27/16 – 6/29/16</i>	<i>San Francisco, CA</i>	<i>ICGN Annual Conference</i>
<i>Rob Feckner</i>	<i>6/27/16 – 6/29/16</i>	<i>San Francisco, CA</i>	<i>ICGN Annual Conference</i>
Ron Lind	6/27/16 – 6/29/16	San Francisco, CA	ICGN Annual Conference
Dana Hollinger	6/27/16 – 6/29/16	San Francisco, CA	ICGN Annual Conference
Priya Mathur	6/27/16 – 6/29/16	San Francisco, CA	ICGN Annual Conference

Rob Feckner, President
Board of Administration



Meeting Summary

February 18, 2016

The Investment Committee met on February 16, 2016.

The Committee conducted an election for the Chair and Vice Chair positions:

- Henry Jones was elected as Chair of the Committee, and
- Bill Slaton was elected as Vice Chair of the Committee

The Committee discussed and approved:

- Proposed revisions to the Real Assets Program Policy

The Committee also received presentations on:

- The performance and risk profiles of the Public Employees' Retirement Fund and Affiliate Funds as of December 31, 2015
- The revisions of the Global Governance Principles as approved by the Global Governance Ad Hoc Subcommittee
- The first reading of proposed revisions to two policy items:
 1. The Affiliate Fund Policy, and
 2. The Total Fund Policy, including Divestments
- And lastly, an update on the borrowed Liquidity approach

The Chair directed staff to:

- Include climate change risk assessment skills as an attribute in section 9b of the Global Governance Principles
- Bring a second and third reading of the Total Fund policy to the Committee
- Work with Public Affairs to develop a communications strategy for proxy voting activity
- Request that the Federal Representative propose the addition of "women of color" in a bill requesting strategies to increase women on corporate boards
- Verify that the Holocaust Era and Northern Ireland reports to the legislature can be approved by the Committee as a consent item

The Committee heard public comment on:

- Support for CalPERS' long-term strategy

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

- A review of the Global Governance Program's climate change strategy

The next meeting of the Investment Committee is scheduled for March 14, 2016 in Sacramento, California.

Subject Vote Report

Customer field 1

Board of Administration 2/18/16

2/18/2016 11:37:45 AM

Customer field 2

Customer field 3

Subject Title

- 7. Committee Reports and Actions
 - f. Board Governance Committee (Oral)

Total Vote Result

Yes	5
Abstain	0
No	7
Total present	12
Seats	13

Group Voting Result

Group	Yes	Abstain	No	Absent
IND	5	0	7	10

Group Voting Conclusion

Motion not approved

5 votes for the motion (Bill Slaton (IND), Richard Costigan (IND), Richard Gillihan (IND), Dana Hollinger (IND), Henry Jones (IND))

0 votes neither for nor against the motion

7 votes against the motion (JJ Jelincic (IND), Ron Lind (IND), Priya Mathur (IND), Theresa Taylor (IND), Lynn Paquin for Yee (IND), Michael Bilbrey (IND), John Chiang (IND))

Delegates Absent

Replaced Delegates

Acting Delegates

Subject Vote Report

Customer field 1

Board of Administration 2/18/16

2/18/2016 11:37:45 AM

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 2/18/16

2/18/2016 11:38:26 AM

Customer field 2

Customer field 3

Subject Title

7. Committee Reports and Actions

f. Board Governance Committee (Oral)

Total Vote Result

Yes	6
Abstain	0
No	7
Total present	13
Seats	13

Group Voting Result

Group	Yes	Abstain	No	Absent
IND	6	0	7	9

Group Voting Conclusion

Motion not approved

6 votes for the motion (JJ Jelincic (IND), Bill Slaton (IND), Richard Costigan (IND), Richard Gillihan (IND), Dana Hollinger (IND), Henry Jones (IND))

0 votes neither for nor against the motion

7 votes against the motion (Ron Lind (IND), Priya Mathur (IND), Theresa Taylor (IND), Lynn Paquin for Yee (IND), Michael Bilbrey (IND), John Chiang (IND), Rob Feckner (IND))

Delegates Absent

Replaced Delegates

Acting Delegates

Subject Vote Report

Customer field 1

Board of Administration 2/18/16

2/18/2016 11:38:26 AM

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 2/18/16

2/18/2016 1:06:59 PM

Customer field 2

Customer field 3

Subject Title

- 12. Announcement of Action Taken on Full Board Hearing
 - a. Timothy Bacon, Darryl Hurt (Consolidated)

Total Vote Result

Yes	12
Abstain	0
No	0
Total present	12
Seats	13

Group Voting Result

Group	Yes	Abstain	No	Absent
IND	12	0	0	10

Group Voting Conclusion

Motion approved

12 votes for the motion (JJ Jelincic (IND), Ron Lind (IND), Priya Mathur (IND), Bill Slaton (IND), Theresa Taylor (IND), Lynn Paquin for Yee (IND), Katie Hagen for Gillihan (IND), Eric Lawyer for Chiang (IND), Michael Bilbrey (IND), Richard Costigan (IND), Dana Hollinger (IND), Henry Jones (IND))

0 votes neither for nor against the motion

0 votes against the motion

Delegates Absent

Replaced Delegates

Acting Delegates

Subject Vote Report

Customer field 1

Board of Administration 2/18/16

2/18/2016 1:06:59 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