

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
BOARD GOVERNANCE COMMITTEE

ROBERT F. CARLSON AUDITORIUM
LINCOLN PLAZA NORTH
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SACRAMENTO, CALIFORNIA

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8:31 A.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
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A P P E A R A N C E S

COMMITTEE MEMBERS:

Mr. Bill Slaton, Chairperson
Mr. Richard Costigan, Vice Chairperson
Mr. Michael Bilbrey
Mr. Rob Feckner
Mr. J.J. Jelincic
Mr. Henry Jones
Mr. Ron Lind

BOARD MEMBERS:

Mr. John Chiang, represented by Ms. Christina Elliott
Mr. Richard Gillihan
Ms. Dana Hollinger
Ms. Priya Mathur
Ms. Theresa Taylor
Ms. Betty Yee, represented by Mr. Alan Lofaso

STAFF:

Ms. Anne Stausboll, Chief Executive Officer
Mr. Matt Jacobs, General Counsel
Mr. Doug McKeever, Deputy Executive Officer
Ms. Barbara Cody, Committee Secretary
Ms. Kami Niebank, Deputy Chief Compliance Officer

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

2 CHAIRPERSON SLATON: I'd like to call the BOARD
3 governance Committee meeting to order. First item on the
4 agenda is roll call.

5 COMMITTEE SECRETARY CODY: Bill Slaton?

6 CHAIRPERSON SLATON: Here.

7 COMMITTEE SECRETARY CODY: Richard Costigan?

8 VICE CHAIRPERSON COSTIGAN: Here.

9 COMMITTEE SECRETARY CODY: Michael Bilbrey?

10 COMMITTEE MEMBER BILBREY: Good morning.

11 COMMITTEE SECRETARY CODY: Rob Feckner?

12 COMMITTEE MEMBER FECKNER: Here.

13 COMMITTEE SECRETARY CODY: J.J. Jelincic?

14 COMMITTEE MEMBER JELINCIC: Here.

15 COMMITTEE SECRETARY CODY: Henry Jones?

16 Ron Lind?

17 COMMITTEE MEMBER LIND: Here.

18 CHAIRPERSON SLATON: All right. Thank you very
19 much.

20 COMMITTEE SECRETARY CODY: Thank you.

21 CHAIRPERSON SLATON: The -- we'll move to Mr.
22 Jacobs.

23 Here comes Mr. Jones. We have a full complement
24 on the Committee this morning and a lot of other people
25 here too as well. So, Mr. Jacobs.

1 GENERAL COUNSEL JACOBS: Very well. So good
2 morning, Chairman Slaton and Committee members and Board
3 members. We have a very exciting agenda this meeting.

4 CHAIRPERSON SLATON: Short.

5 (Laughter.)

6 GENERAL COUNSEL JACOBS: Short and exciting.

7 We've got a review of the Board Governance
8 Committee Delegation and some proposed revisions with
9 respect to that. We've got a review of the delegation
10 from the Board to the CEO and some proposed revisions with
11 respect to that. And then we've got a discussion on the
12 delegation of the CEO selection and where -- which
13 Committee that should be housed in.

14 I wanted to update the Committee and the Board on
15 where we're heading on the efforts with respect to the
16 Board's self-assessment. In consultation with the Chair
17 and the Vice Chair, we're heading in the direction of
18 using a questionnaire that asks the Board a number of
19 questions regarding governance -- Board governance,
20 communication, roles and responsibilities, and the like.
21 This has been utilized by other companies and agencies,
22 including SMUD quite successfully.

23 It would be administered by Eric Douglas, who you
24 all recall probably. It -- Mr. Douglas would administer
25 it and then help interpret the results. One of the good

1 things about this is that it allows for benchmarking, so
2 that if we do it this year, we will then be able to
3 compare it to two years down the road and two years beyond
4 that, and the like. So you should expect to receive a
5 questionnaire. It's not going to take you very long or be
6 too complex. And the idea would be that we would bring
7 that -- the results of that questionnaire to the Board for
8 discussion at the January 2017 off-site.

9 So unless there are -- well, that concludes my
10 report, but I'm happy to answer any questions.

11 CHAIRPERSON SLATON: I might mention also just
12 for clarification that that questionnaire it's a 360
13 questionnaire. So it goes to senior management as well.
14 So both groups look at it and we see the results from both
15 management and Board members.

16 GENERAL COUNSEL JACOBS: Right. Very well.

17 CHAIRPERSON SLATON: So that's the protocol.
18 Comments, questions?

19 Okay. All right. Thank you very much. We'll
20 move to the action consent items. A request we're going
21 to pull item B. So do I have a motion regarding 3a.

22 COMMITTEE MEMBER BILBREY: Move approval.

23 CHAIRPERSON SLATON: Moved from Bilbrey.

24 VICE CHAIRPERSON COSTIGAN: Second.

25 CHAIRPERSON SLATON: Second from Costigan.

1 All those in favor say aye?

2 (Ayes.)

3 CHAIRPERSON SLATON: Opposed?

4 Motion carries.

5 So Item 3b we'll pick up at the end. Isn't that
6 the normal protocol for that.

7 All right. I've seen no requests to pull the
8 consent items -- well, except, actually, 4b shouldn't have
9 been on consent, because it's a report from Mr. Jacobs
10 regarding compliance with disclosure statements.

11 So, Mr. Jacobs.

12 GENERAL COUNSEL JACOBS: Yeah, so my report is
13 that everybody is in compliance.

14 CHAIRPERSON SLATON: All right.

15 (Laughter.)

16 CHAIRPERSON SLATON: Good. Thank you very much.

17 So we'll move to Item number 5, Review of Board
18 Governance Committee Delegation.

19 Pardon me. Yes, Mr. Jelincic. Just a second.
20 You're on.

21 COMMITTEE MEMBER JELINCIC: I'm glad that we're
22 all in compliance. As you're aware, I had raised the
23 issue of how we are in -- how we are complying with 20191,
24 which requires a monthly report to the Board on the
25 security purchases and sales. And, you know, I started on

1 this, I think, actually before you got here. The Board
2 used to get a very large report that listed all the
3 purchases and sales, and then we stopped getting anything.

4 (Thereupon a phone rang.)

5 COMMITTEE MEMBER JELINCIC: Someone embarrassed
6 themselves. And I'm just glad it wasn't me for a change.

7 And, you know, now we get just a volume report,
8 but we do not get the purchases and sales reported to the
9 Board. And I was wondering if you can explain how we are
10 in compliance? And then --

11 GENERAL COUNSEL JACOBS: Well, let me narrow my
12 comment. I didn't mean to say that we're in compliance,
13 or not compliance, with anything beyond the Form 700
14 disclosure requirements. That's what this is addressed
15 to, and that's what my report was with respect to.

16 COMMITTEE MEMBER JELINCIC: Okay. Well, you
17 hadn't said that.

18 GENERAL COUNSEL JACOBS: Yes.

19 COMMITTEE MEMBER JELINCIC: But now that we're
20 talking about compliance, can --

21 CHAIRPERSON SLATON: Well, I don't think we have
22 this -- I'm not sure this is an agenda item, because this
23 was dealing with the item with 700 compliance by Board
24 members and designees. So this is a compliance with the
25 PERL, I guess, is what you're referring to.

1 COMMITTEE MEMBER JELINCIC: Yeah.

2 CHAIRPERSON SLATON: And we don't have this on
3 the agenda, so I would ask, Mr. Jacobs, can we discuss
4 this or not?

5 CHIEF EXECUTIVE OFFICER STAUSBOLL: I think I
6 can. Good morning. Anne Stausboll. Board Member
7 Jelincic did raise this a couple of months ago. And we
8 wrote him -- wrote you a fairly detailed memo, I believe,
9 at the time. I was trying to pull it up quickly and I
10 couldn't. But why don't we get that back out and we'll
11 resend it and we'll send it to the entire Board.

12 CHAIRPERSON SLATON: And if you want to have that
13 on a parking lot to talk about, we certainly can do that.

14 COMMITTEE MEMBER JELINCIC: Let's put it on the
15 parking lot. And can we deal with -- while you're doing
16 that, can we deal with both 20191 and .5, deal with both
17 sections that I'd asked about?

18 CHIEF EXECUTIVE OFFICER STAUSBOLL: Okay. Why
19 don't we talk off-line and just make sure we understand
20 your question and we'll get it answered.

21 Thank you.

22 COMMITTEE MEMBER JELINCIC: Okay.

23 CHAIRPERSON SLATON: Okay. We're now on Item 5.
24 This is the delegation to this Committee, the Board
25 Governance Committee. And there's some recommended

1 changes in there. The one I want to note is particularly
2 the second bullet on the analysis, which is reviewing the
3 powers reserved delegations to each Committee. The Chair
4 noted that this year each committee was doing that, so
5 this is a change that would be in conformance with the
6 practice we're doing this. It doesn't necessarily mean
7 that's what we are going to do. So I open it up for
8 discussion.

9 Mr. Jelincic.

10 COMMITTEE MEMBER JELINCIC: Yeah. I had raised
11 this issue earlier. The -- each committee is looking at
12 its own delegation, and says this makes sense for me.
13 What we don't have is anybody looking at all of the
14 delegations as a package and say do they collectively make
15 sense?

16 Now, I acknowledge we did not do that this year,
17 but I think that it's a practice we should have. And I
18 think Board Governance is the place where there ought to
19 be that kind of overarching look, are we covering
20 everything, and are we covering it appropriately?

21 CHAIRPERSON SLATON: So other comments from
22 Committee members or other Board members regarding whether
23 that particular item -- well, let's assume, first of all,
24 on the first and third bullet, is there any objection to
25 those changes, which are fairly ministerial in nature?

1 I don't see any raising of hands or pushing of
2 microphone requests to speak. So coming back to that --
3 the item that J.J. talked about, do I have other comments
4 from Board members whether we want to put this overall in
5 Governance?

6 Mr. Jelincic, would that be in addition to the
7 discussion in each committee?

8 COMMITTEE MEMBER JELINCIC: Yes. And I would
9 suggest -- you know, assuming we leave it there, I would
10 suggest that we actually do it say in December, so that we
11 can have that overall review before it goes to each of the
12 committees beginning in February.

13 CHAIRPERSON SLATON: Okay. I don't -- so we take
14 silence as agreement on this Committee. So if you're not
15 in agreement, say something? If you don't -- if you think
16 we're extra -- oh, Mr. Lind, sorry.

17 He's not silent.

18 COMMITTEE MEMBER LIND: I'm not sure what that
19 would mean. If we're -- this Committee would collect all
20 these different committee delegations and then review it,
21 I'm not sure I -- I get what you're saying, Mr. Jelincic.
22 I'm just not sure that we would find anything differently
23 by comparing them all and looking at them as a package
24 than we found individually reviewing them. And it just
25 seems like -- to me, it just seems like an extra layer of

1 work that I'm not sure is productive.

2 COMMITTEE MEMBER JELINCIC: The -- can I?

3 CHAIRPERSON SLATON: Go ahead and respond and
4 then we have four speakers.

5 COMMITTEE MEMBER JELINCIC: Yeah. You know, it's
6 just I think somebody needs to be taking this overall
7 look. Are we covering all the items? I don't think that
8 we -- I think most years it will probably be, yeah, we've
9 got them all covered. But things come up periodically and
10 I just think that that overall look is something that
11 needs to be done. And I think this -- since they're
12 committee delegations, I think this is the place where it
13 ought to be taken a look at.

14 GENERAL COUNSEL JACOBS: One thing I would point
15 out to the Board, and Mr. Jelincic in particular, is that
16 this will be -- all of the delegations that have been
17 reviewed now by the various committees will be coming back
18 before the -- or coming to the Board next month. So we
19 were waiting for everybody, all the committees, to have a
20 chance to review their delegations. They will all come
21 back next month. And perhaps that is the -- an
22 appropriate location for the review that Mr. Jelincic is
23 talking about.

24 CHAIRPERSON SLATON: Mr. Costigan.

25 VICE CHAIRPERSON COSTIGAN: Thank you, Mr.

1 Slaton. I would agree with Mr. Jelincic in bringing it
2 back for an overall review. It's really very much like a
3 statutory change, in that we haven't had someone look at
4 on two things. One is, has jurisdiction moved from one
5 committee to the other? Because I wouldn't know, for
6 example, what may have moved out of Health and Benefits to
7 another just -- and second is to make sure that we're not
8 in conflict with each other.

9 I mean, we've all been operating in our own lanes
10 from that standpoint, just -- and I guess I had made the
11 assumption, at some point, we were going to have a
12 comparison similar to the delegation we had done in
13 Investments just to ensure we don't have a conflict,
14 because this has been a great project moving forward.

15 And so, Mr. Jacobs, if there is a delay in a
16 month, is that -- does that impact any time table?

17 GENERAL COUNSEL JACOBS: No.

18 VICE CHAIRPERSON COSTIGAN: Okay. So if it were
19 either going to come back to Governance for one more
20 review, just for a -- and I know it's a little bit of
21 staff work, but can you tell me, has there been any
22 jurisdictional change between the committees?

23 GENERAL COUNSEL JACOBS: I would have to study
24 that to give you an answer. But the idea for May was to
25 do that review and bring it back to the Board to basically

1 assess whether there were any overlaps or --

2 VICE CHAIRPERSON COSTIGAN: And that will be at
3 the May Board meeting?

4 GENERAL COUNSEL JACOBS: That would be at the May
5 Board meeting, yes.

6 VICE CHAIRPERSON COSTIGAN: In front of the full
7 Board?

8 GENERAL COUNSEL JACOBS: Yes.

9 VICE CHAIRPERSON COSTIGAN: I would just
10 respectfully think it should go through Governance, and
11 then with a recommendation from Governance to the full
12 Board.

13 CHAIRPERSON SLATON: I might just mention for
14 clarification, later in this agenda, we're actually going
15 to talk about a delegation that was supposed to be -- it's
16 listed in one committee and yet it's operating in a
17 different way. So one thing that Governance can do is
18 when someone sees a conflict or sees an issue, this is the
19 place to try to resolve it between committees.

20 Mr. Jones.

21 COMMITTEE MEMBER JONES: Yeah. Thank you, Mr.
22 Chair. I was just going to expand on Mr. Jacobs comment
23 about we could have -- since it's -- it's important that
24 it's reviewed by all Board members, because the work has
25 been done in the Committee, so I concur with that. But

1 why can't we just have a process where it's a first
2 reading to the Board, and that will give all Board members
3 an opportunity to highlight or identify issues, and then
4 adopt it on a second reading to avoid having to go back
5 and forth? So that would be my suggestion.

6 CHAIRPERSON SLATON: But is this -- is this
7 post -- do you envision that being post-review by each
8 committee or pre?

9 COMMITTEE MEMBER JONES: Post.

10 CHAIRPERSON SLATON: Post-review. Okay.

11 GENERAL COUNSEL JACOBS: So I think what Mr.
12 Jones is envisioning is it would come before the Board in
13 May for a first reading. And then if there were issues,
14 it would come back in June for a second reading.

15 COMMITTEE MEMBER JONES: Right. And that would
16 give an opportunity for a review.

17 CHAIRPERSON SLATON: Mr. Jelincic.

18 COMMITTEE MEMBER JELINCIC: Yeah, but when it
19 comes to the Board, it's going to come as part of each of
20 the Committee's agenda items. And so again, they're being
21 looked at in silo, you know. And so I'm not sure that
22 that really creates the overall look that I think
23 somebody -- some committee needs to take a look at.

24 CHAIRPERSON SLATON: Yes.

25 CHIEF EXECUTIVE OFFICER STAUSBOLL: Hello. Point

1 of clarification.

2 CHAIRPERSON SLATON: Sure.

3 CHIEF EXECUTIVE OFFICER STAUSBOLL: The plan,
4 which we have traditionally done in April or May, is to
5 bring it to the Board. We bring them as a full package,
6 not individually by the committees. And, you know, of
7 course, it's up to you all how you decide to proceed going
8 forward. I would just point out that this review takes
9 place every year beginning in February once the Committee
10 Chairs are elected. And if your process turns into a
11 six-month process, you're talking about delegations that
12 will only be in effect for five months before the process
13 begins again. So I think it would behoove us to have a
14 more nimble process.

15 CHAIRPERSON SLATON: So what I hear is we have a
16 process for looking at them not siloed, but altogether, at
17 the Board. And I think what could happen out of that is
18 if we have a conflict or an issue that comes up in that
19 review at first reading or even at second reading, we can
20 decide to either deal with it then or we can further
21 assign it to the Governance Committee, if there's some
22 resolution needed, some more work on it.

23 Does that seem to address the issue? Are we
24 okay, Mr. Jelincic? Close enough?

25 COMMITTEE MEMBER JELINCIC: I mean, if we -- if

1 it comes to the Board as a package, these are all of the
2 items, then, yeah, that addresses the issue.

3 CHAIRPERSON SLATON: Good.

4 COMMITTEE MEMBER JELINCIC: Although my
5 recollection is what we've done is they've been coming as
6 part of each of the committee reports in the past.

7 CHAIRPERSON SLATON: Well, they may be in the
8 report, but this is a particular step.

9 COMMITTEE MEMBER JELINCIC: My recollection may
10 be wrong. But as long as it gets dealt with as a package,
11 then I'm comfortable with that.

12 CHIEF EXECUTIVE OFFICER STAUSBOLL: Great. We'll
13 bring it as a package. We'll put a cover matrix on it to
14 show all the changes, so you can have a full deal.

15 CHAIRPERSON SLATON: Okay. All right. I think
16 we've resolved that matter. Thank you very much. We'll
17 move on to Item number 6, Chief Executive Officer
18 Delegation of Authority, Annual --

19 GENERAL COUNSEL JACOBS: Before we move on, Mr.
20 Slaton, if I might?

21 CHAIRPERSON SLATON: Sure.

22 GENERAL COUNSEL JACOBS: So is the -- is the
23 Committee recommending the -- all three of the changes
24 then that are reflected on the agenda item?

25 CHAIRPERSON SLATON: I'm sorry. It was an action

1 item. You're correct. Sorry about that.

2 So, yeah -- so do I -- I'll entertain a motion
3 on -- okay, on what was recommending by staff.

4 COMMITTEE MEMBER BILBREY: Moved.

5 VICE CHAIRPERSON COSTIGAN: Second.

6 CHAIRPERSON SLATON: Moved by Bilbrey and second
7 by Costigan.

8 COMMITTEE MEMBER JELINCIC: Given the
9 understanding that it's coming as a package, I will
10 support it.

11 CHAIRPERSON SLATON: Yeah, it's understood that
12 it's coming as a package.

13 Okay. All those in favor say aye?

14 (Ayes.)

15 CHAIRPERSON SLATON: Opposed?

16 Motion carries.

17 Item number 6, Chief Executive Officer Delegation
18 of Authority, Annual Review.

19 DEPUTY CHIEF COMPLIANCE OFFICER NIEBANK: Good
20 morning. Kami Niebank, CalPERS staff. This is agenda
21 item is to review annually the Chief Executive Officer
22 delegation.

23 Staff have recommended a few changes, which I
24 would like to point out. They're really around providing
25 clarity to the role of authority of the CEO and then

1 making some consolidation of existing delegations that
2 have previously lived in the organization, but we're
3 really bringing them in to consolidate under the CEO
4 delegation.

5 So the first is to clarify the delegation of
6 authority around actuarial, financial, and investment
7 authority to recognize that that is all delegated to the
8 CEO from the Board. And then the CEO as the sole direct
9 report of the Board would have the ability to re-delegate
10 or subdelegate to those direct reports as appropriate.

11 This is consistent with action from September of
12 2014, where the CEO was clarified as the sole direct
13 report of the Board.

14 Secondly, it's really to incorporate public
15 agency contract review approval and termination language.
16 That language was previously delegated directly from the
17 Board to the Chief Actuary. So we're pulling that
18 language into the CEO delegation, so it's consistent with
19 the language in the Chief Actuary delegation.

20 And then lastly, to recommend the removal of the
21 Board's federal representative as a service provider that
22 the Board would retain authority to procure. This was out
23 of a June 16, 2016 Governance Committee meeting. There
24 was some guidance or some direction, and so staff had put
25 that in here. I understand though that it's an item that

1 the Committee wanted to discuss further, because it wasn't
2 necessarily all consistent.

3 The other changes that are recommended to the CEO
4 delegation are really administrative in nature. We --
5 since the Enterprise Compliance Office has taken on
6 management delegation as a process, we've come up with
7 some standards that are really consistent with the Board's
8 Governance Policy, and just trying to make some
9 clarification in language and flow and structure just to
10 make the read of the delegation a bit more cleaner and
11 consistent.

12 So this is an action item. I would be happy to
13 answer any questions.

14 CHAIRPERSON SLATON: Thank you very much.

15 Ms. Mathur.

16 BOARD MEMBER MATHUR: Yeah, just a question on
17 page three of Attachment 1. The top bullet there is --
18 continues to refer to items that the Board has reserved
19 for itself. It was not delegating to the CEO. And it's
20 about the administrative services related to the
21 self-funded health plans, including network
22 administration, which I understand, but then also medical
23 policy development and utilization management. And I'm
24 wondering if those truly are things that we have reserved
25 solely for ourselves or if those are things that really

1 make sense to delegate?

2 And maybe we don't have our -- Mr. McKeever in
3 the room, so maybe that's -- oh, we do. You're hiding
4 behind Mr. Jacobs.

5 DEPUTY EXECUTIVE OFFICER McKEEVER: Good morning.
6 Doug McKeever, CalPERS staff. In that particular case,
7 Ms. Mathur, I'd have to go back and take a look to see
8 whether or not that is something that we could actually do
9 or maybe Ms. Stausboll has further clarification.

10 CHIEF EXECUTIVE OFFICER STAUSBOLL: Yeah. Maybe
11 one of you guys could look at the powers reserved
12 document. I think in that original powers reserved
13 document that we worked through several years ago and is
14 incorporated into the Governance Policy, that that is
15 reserved for the Board. And it would be up to the Board
16 whether it chooses to delegate it or not.

17 BOARD MEMBER MATHUR: Okay. So maybe that's
18 something we should -- at some point. It's not an urgent
19 issue. I'm totally fine with this moving forward as is.
20 I just -- I just would question whether those are things
21 that we ought to continue to reserve for the Board. Maybe
22 it's something we should think about.

23 CHIEF EXECUTIVE OFFICER STAUSBOLL: Why don't we
24 look at it for next -- the next review.

25 BOARD MEMBER MATHUR: For next time, sure.

1 GENERAL COUNSEL JACOBS: Parking lot issue.

2 BOARD MEMBER MATHUR: I'm sorry?

3 CHIEF EXECUTIVE OFFICER STAUSBOLL: Maybe for the
4 next review of the CEO delegation, the next annual review.

5 CHAIRPERSON SLATON: Yeah, just -- we'll just
6 defer it to the next review.

7 BOARD MEMBER MATHUR: And maybe the discussion
8 needs to happen in the Pension and Health Benefits
9 Committee before it happens in the Governance Committee.

10 CHAIRPERSON SLATON: Yeah.

11 BOARD MEMBER MATHUR: Okay. Thanks.

12 CHIEF EXECUTIVE OFFICER STAUSBOLL: Great.

13 CHAIRPERSON SLATON: I would agree with that.

14 So this is an action item or do we have further
15 commentary?

16 COMMITTEE MEMBER JONES: Move staff
17 recommendation.

18 CHAIRPERSON SLATON: Okay.

19 CHIEF EXECUTIVE OFFICER STAUSBOLL: It's an
20 action item, yes.

21 CHAIRPERSON SLATON: Okay. Motion from Jones.

22 VICE CHAIRPERSON COSTIGAN: Second.

23 CHAIRPERSON SLATON: Second from Costigan.

24 All those in favor say aye?

25 COMMITTEE MEMBER JELINCIC: Bill, Bill, Bill,

1 Bill.

2 CHAIRPERSON SLATON: Woops, wait a minute.

3 COMMITTEE MEMBER JELINCIC: I've had my little
4 button on. You even changed it.

5 CHAIRPERSON SLATON: You do. Sorry about that.
6 Mr. Jelincic.

7 COMMITTEE MEMBER JELINCIC: Since we now have a
8 motion, I will do it as an amendment and -- in 11, the
9 Board federal representative, the -- we had -- I
10 acknowledge that the June minutes say that we delegated --
11 the Committee recommended delegating it to the staff.
12 When that was submitted to this Committee, I was not on
13 the Committee, but I said that wasn't consistent with my
14 recollection.

15 I actually went back and read the transcript, and
16 there was a discussion about the fact that we did not need
17 to reserve that to meet our fiduciary duties. But then it
18 went on -- and there was a rather lengthy discussion about
19 exactly what that role ought to be, because those are
20 advisors and they help set policy -- provide guidance on
21 the policies we need. The federal lobbyists deal with the
22 environment in which we operate.

23 And so there really wasn't a consensus. The
24 Chair specifically said let's make this a parking lot
25 issue. And then when the minutes came out, it said we had

1 made a decision -- the Committee had made a decision on
2 it. I can't say me, I wasn't on the Committee. So I
3 really do think we need to go back, make that a -- restore
4 that as a parking lot issue, and really have a discussion
5 about exactly what the Board's relationship with these
6 federal consultants would be.

7 So my amendment is going to be restore the
8 Board's federal representative in the reserves.

9 CHAIRPERSON SLATON: So are you trying to make
10 that as a friendly amendment or are you trying to make it
11 a substitute?

12 COMMITTEE MEMBER JELINCIC: I will -- I'll
13 propose it as a friendly amendment if the mover will
14 accept it. Otherwise, I will just propose it as an
15 amendment.

16 CHAIRPERSON SLATON: Well, you know, I think this
17 is an area where we discussed this a lot in the past. We
18 have an opportunity today to decide, at least at this
19 Committee level, whether, in fact, we like this or not.
20 This would be an item that would come before the Board
21 later this morning, if we choose to vote on it.

22 So we can either defer a decision or we can make
23 a decision now on this one. So what's the pleasure of the
24 maker of the motion?

25 COMMITTEE MEMBER JONES: Well, I do not accept

1 the amendment.

2 CHAIRPERSON SLATON: Just a minute.

3 Mr. Jones.

4 COMMITTEE MEMBER JONES: Yeah, I do not accept
5 the friendly motion. However, I am sensitive no Mr.
6 Jelincic's concern, so I would have no problem of, at some
7 future time, revisit this item in the Governance
8 Committee.

9 CHAIRPERSON SLATON: Okay. So, Mr. Jelincic, the
10 maker of the motion did not accept it as a friendly
11 amendment.

12 COMMITTEE MEMBER JELINCIC: Okay. Then I will
13 propose it as an amendment. I think we do need to have a
14 discussion about what we're actually -- what that
15 relationship is. And it just seems to me that since this
16 is the delegation, we're -- if we delegate it, then we've
17 kind of made that decision. And so I just kind of think
18 that we ought to leave it as a reserve power, have the
19 discussion, and if we decide that that's actually what we
20 want to do, then we can delegate it.

21 I also recognize the obviously we are on a
22 three-year contract and we've got time to deal with this
23 issue.

24 COMMITTEE MEMBER JONES: And my rationale is that
25 we can still deal with it by adopting this as it is.

1 CHAIRPERSON SLATON: Yeah. Ms. Stausboll.

2 CHIEF EXECUTIVE OFFICER STAUSBOLL: Yeah. Maybe
3 this is obvious, but the delegation, as I read it, is only
4 about the selection process and the procurement, and
5 wouldn't define the relationship, once that had been
6 conducted. So I think the idea --

7 CHAIRPERSON SLATON: That would be my
8 interpretation too.

9 CHIEF EXECUTIVE OFFICER STAUSBOLL: -- around it
10 was that it was very time-consuming for the Board to
11 select three different consultants.

12 CHAIRPERSON SLATON: Right. Okay.

13 COMMITTEE MEMBER JELINCIC: And the discussion at
14 the June meeting actually dealt quite a bit with how we
15 select, and there wasn't anything resolved.

16 CHAIRPERSON SLATON: Okay. Well, let's take
17 another comment. Well, first of all, Mr. Jelincic, you've
18 made a -- and just a clarification from counsel. Is this
19 an amendment or a substitute motion?

20 GENERAL COUNSEL JACOBS: Substitute motion.

21 CHAIRPERSON SLATON: Substitute motion.

22 Is there a second for the substitute motion?

23 COMMITTEE MEMBER LIND: I'll second it.

24 CHAIRPERSON SLATON: Okay. So it's been moved
25 and seconded.

1 Mr. Costigan.

2 VICE CHAIRPERSON COSTIGAN: So speaking to the
3 motion before us, I think Mr. Stausboll clarified it.
4 This is on the issue of the procurement. Just going
5 through, putting the RFP together, putting the RFP out,
6 scoring the first three firms, and still the selection
7 comes to the Board for the interviews or it stays with --
8 so I just want clarification. So this is not just the
9 procurement, this is actually picking X and then they show
10 up at a Board meeting.

11 GENERAL COUNSEL JACOBS: Right.

12 CHIEF EXECUTIVE OFFICER STAUSBOLL: Yes. The way
13 we've interpreted this language for many years is that it
14 includes the selection. The word "procurement" includes
15 all the way through the selection.

16 VICE CHAIRPERSON COSTIGAN: So I will just say,
17 speaking to the motion, I don't have a significant issue
18 with staff picking it. What I do want to have brought
19 back, at some point, is along what Mr. Jones, and I
20 believe what Mr. Jelincic is getting to, is actually the
21 role of the federal lobbyist. It is my understanding that
22 I've heard that there's at least a question when Board
23 members have asked for engagement with our federal
24 lobbyist that there have been some questions raised as to
25 who are they responsive to or what is their willingness to

1 do something?

2 So there are some concerns, I think, from a
3 Governance standpoint. If it's just the procurement
4 aspect of it with the standard language, that if they're
5 not performing, there's 30-day out and all of that, that's
6 fine.

7 I think we do have to have more of a governance
8 issue as to what is the appropriate role of any consultant
9 vis-à-vis the Board. And so I'm at a little bit of
10 struggle. I'd like -- I want to bring it back. But from
11 a pure procurement, I'm not going to be able to support
12 the motion, but I do want the discussion going forward on
13 what is the role, again vis-à-vis the Board with our
14 federal lobbyist, because they do play a different role
15 than just a procurement for someone that gives us advice
16 to the Investment Office on real estate.

17 So thank you, Mr. Chair.

18 CHAIRPERSON SLATON: Okay. We have no other
19 requests to speak right now. We have a substitute motion
20 on the floor, and that -- as I understand that substitute
21 motion is to accept these changes, with the exception of
22 retaining and reserved for the Board the --

23 COMMITTEE MEMBER JELINCIC: It's reestablish that
24 line.

25 CHAIRPERSON SLATON: That one line. All right.

1 So that's the motion.

2 All those in favor say aye?

3 (Ayes.)

4 CHAIRPERSON SLATON: Opposed?

5 (Noes.)

6 CHAIRPERSON SLATON: I think we need to do a roll
7 call vote or do we do the button. Which one?

8 GENERAL COUNSEL JACOBS: The button. All

9 CHAIRPERSON SLATON: All right. We'll do the
10 buttons.

11 (Laughter.)

12 CHAIRPERSON SLATON: Is it on the Board yet?

13 MR. HOPPER: It's coming.

14 CHAIRPERSON SLATON: It's coming. All right.
15 This is on the substitute motion.

16 (Thereupon an electronic vote was taken.)

17 CHAIRPERSON SLATON: Oh, I don't vote.

18 VICE CHAIRPERSON COSTIGAN: Unless it's a tie.

19 MS. HOPPER: I can cancel it. Do you want me to
20 restart it?

21 CHAIRPERSON SLATON: Cancel and restart it.

22 Thank you.

23 Sorry. Which by the way that -- just to clarify,
24 since we're Governance Committee.

25 GENERAL COUNSEL JACOBS: Right.

1 CHAIRPERSON SLATON: Is this Robert's Rules of
2 Order, is this just normal protocol that we have followed
3 here at CalPERS on the Chair's vote?

4 GENERAL COUNSEL JACOBS: That's tradition, normal
5 protocol at CalPERS. It is not in Robert's Rules that the
6 Chairperson does not vote except if there's a tie.

7 CHAIRPERSON SLATON: Okay. All right. I just
8 wanted to get that clarification. All right. So now
9 we'll see if there's a tie.

10 (Thereupon an electronic vote was taken.)

11 CHAIRPERSON SLATON: Well, we're still waiting on
12 the vote.

13 Now, there's a tie. So now I get to vote, right?

14 GENERAL COUNSEL JACOBS: Right.

15 (Thereupon an electronic vote was taken.)

16 CHAIRPERSON SLATON: Okay. The motion fails. We
17 go back to the original motion --

18 GENERAL COUNSEL JACOBS: Yes.

19 CHAIRPERSON SLATON: -- to approve staff
20 recommendation for the CEO delegation.

21 All those in favor -- well, let's see. Should we
22 do it this way? I guess so.

23 All right. We'll use the buttons since you've
24 already got it set up.

25 MS. HOPPER: Ready again?

1 CHAIRPERSON SLATON: Ready again.

2 All right, please vote.

3 (Thereupon an electronic vote was taken.)

4 CHAIRPERSON SLATON: All right, the motion
5 passes. Thank you very much.

6 We move to -- yes.

7 COMMITTEE MEMBER JONES: You are --

8 CHAIRPERSON SLATON: They have to clear it. Just
9 a minute. I can't do the microphones until they clear it
10 here.

11 MS. HOPPER: One second.

12 CHAIRPERSON SLATON: Thank you. There we go.
13 Mr. Jones.

14 COMMITTEE MEMBER JONES: Yeah. The approval is
15 with the direction to bring it back to Governance
16 Committee for a review?

17 CHAIRPERSON SLATON: Well, the motion was to pass
18 this, but I'll direct from the Chair to do that.

19 COMMITTEE MEMBER JONES: Yeah, that's what I
20 mean, direct it from the Chair.

21 CHAIRPERSON SLATON: To bring it back, to talk
22 about the relationship of the Board to the federal
23 representative. So we'll talk about that later.

24 All right. Okay. We move to item number 7,
25 Delegation of CEO Search. This was an item that was on

1 the parking lot. We noted that in the search process
2 we're going through right now, we have -- there's been a
3 committee created -- a search committee. But if you look
4 at the delegations, this is the -- what's the name of the
5 Committee?

6 BOARD MEMBER MATHUR: Performance, Compensation
7 and Talent Management Committee.

8 COMMITTEE MEMBER BILBREY: Performance,
9 Compensation and Talent Management Committee.

10 CHAIRPERSON SLATON: Performance, Compensation
11 and Talent Management Committee. Thank you Chair Bilbrey.

12 And that's what the delegation says. And yet, we
13 are operating differently than the delegation. So I
14 thought it was appropriate for us to bring that up as an
15 item here to see if we want to change that and move that
16 delegation back to the full -- as a reserve by the full
17 Board, which then can decide on how they want to do it,
18 which they've already made that decision to have a search
19 committee. But I'd like our policies to be in conformance
20 with our practice as much as possible. So comments from
21 Committee members?

22 Mr. Jelincic.

23 COMMITTEE MEMBER JELINCIC: Since the CEO is the
24 only person who reports directly to the Board, and since
25 it's ultimately a Board decision, I think we ought to

1 simply acknowledge that and say it is a board function.
2 The Board can -- will, just for administrative purposes,
3 probably going to use a subcommittee, rather than a
4 committee of the whole.

5 CHAIRPERSON SLATON: Right.

6 COMMITTEE MEMBER JELINCIC: But I think it really
7 ought to be a Board function.

8 CHAIRPERSON SLATON: Good. Mr. Bilbrey, do you
9 have any heartburn with this one?

10 COMMITTEE MEMBER BILBREY: Not at all.

11 CHAIRPERSON SLATON: Woops, just a second.

12 COMMITTEE MEMBER BILBREY: No, I have -- there's
13 issues from me.

14 CHAIRPERSON SLATON: Okay. I just didn't want to
15 take something away from you, if you want to keep it.

16 Ms. Taylor.

17 BOARD MEMBER TAYLOR: So help me understand. The
18 Performance, Compensation and Talent Management appointed
19 a search committee.

20 CHAIRPERSON SLATON: No, that's not correct. The
21 Board appointed the Committee, I believe, not the --

22 BOARD MEMBER TAYLOR: The Board appointed the
23 Committee?

24 CHAIRPERSON SLATON: Yeah.

25 BOARD MEMBER TAYLOR: But is' under the auspices

1 of Performance --

2 CHAIRPERSON SLATON: No.

3 BOARD MEMBER TAYLOR: No.

4 CHAIRPERSON SLATON: That's the problem with --
5 that's the inconsistency with our policy --

6 BOARD MEMBER TAYLOR: Got it.

7 CHAIRPERSON SLATON: -- that we're trying to
8 address today --

9 BOARD MEMBER TAYLOR: I appreciate that.

10 CHAIRPERSON SLATON: -- because it was done by
11 the full Board.

12 BOARD MEMBER TAYLOR: I needed some clarity.
13 Thank you.

14 CHAIRPERSON SLATON: Yeah, Sure. Okay. Okay.
15 Is there -- do I hear a motion in this regard?

16 COMMITTEE MEMBER JONES: Move it.

17 VICE CHAIRPERSON COSTIGAN: Second.

18 CHAIRPERSON SLATON: Moved by Jones, second by
19 Costigan.

20 CHIEF EXECUTIVE OFFICER STAUSBOLL: Mr. Chair?

21 CHAIRPERSON SLATON: Yes.

22 CHIEF EXECUTIVE OFFICER STAUSBOLL: Just for the
23 record, it might be good to clarify, are we talking about
24 the current pending process or going forward? You know,
25 are we changing the process mid-stream?

1 CHAIRPERSON SLATON: Well, I don't think -- I
2 mean, my interpretation is we're not changing the process.
3 We're catching up in our procedures to follow our
4 practice, so that the fact that the full Board created,
5 through the Chair, a committee -- a search committee would
6 be, in my view, consistent with that being reserved -- a
7 power reserved by the Board.

8 CHIEF EXECUTIVE OFFICER STAUSBOLL: Okay. Great.
9 Thank you.

10 CHAIRPERSON SLATON: Okay. So we have a motion
11 on the floor.

12 All those in favor say aye?

13 (Ayes.)

14 CHAIRPERSON SLATON: Opposed?

15 Motion carries.

16 We come back to Item 3b, which is the parking
17 lot. And, Mr. Jelincic, you had some thoughts.

18 GENERAL COUNSEL JACOBS: Before we move on, Mr.
19 Slaton, if I may.

20 CHAIRPERSON SLATON: Oh, yes.

21 GENERAL COUNSEL JACOBS: So what was the motion
22 that just passed?

23 CHAIRPERSON SLATON: The motion is to move the
24 hiring/firing -- the words that are in there right now
25 that are delegated to --

1 GENERAL COUNSEL JACOBS: Performance and
2 Compensation.

3 CHAIRPERSON SLATON: -- Performance and Talent
4 Management would move back to powers reserved by the
5 Board.

6 GENERAL COUNSEL JACOBS: Very good. Thank you.

7 CHAIRPERSON SLATON: Okay. Right? Are we okay?

8 CHIEF EXECUTIVE OFFICER STAUSBOLL: Yes.

9 CHAIRPERSON SLATON: All right. Good.

10 So Mr. Jelincic. We're now on Item 3b, which we
11 deferred.

12 COMMITTEE MEMBER JELINCIC: I actually had a
13 couple of things. One, was the federal lobbyist --
14 federal representatives, that's already come back onto the
15 parking lot --

16 CHAIRPERSON SLATON: Um-hmm, correct.

17 COMMITTEE MEMBER JELINCIC: -- so I won't raise
18 that. But one of the earlier items that was on the
19 parking lot list is, "Assure a culture of trust/no hidden
20 issues". And I think that somehow that fell off the list
21 and I just think it ought to be reestablished as part of
22 that parking lot.

23 CHAIRPERSON SLATON: Okay. We'll put that one --
24 we'll put that one back on. There's another one that I've
25 had some comments about, and that is Board member

1 compensation/reimbursement. In particular, those who are
2 elected, we have a rather complex process for timekeeping.
3 So it might be instructive to just have a conversation
4 about that. Is there a simpler methodology to end up with
5 a similar result without having to go through as much
6 administrative work?

7 So we'll put that on the parking lot as well, and
8 we'll see how the Committee feels about talking about it.

9 Any other items for the parking lot?

10 All right. So we move to the last -- let's see,
11 the Summary of Committee Direction.

12 GENERAL COUNSEL JACOBS: I think that entails
13 what has been discussed here with respect to bringing back
14 certain issues to the Committee, in particular the issue
15 of the relationship with the federal representative, and
16 then to place certain items that were just discussed onto
17 the parking lot. And I believe that's all I have.

18 CHAIRPERSON SLATON: Good. Ms. Stausboll, are we
19 okay with the delegation issue? Did we get that all
20 resolved?

21 CHIEF EXECUTIVE OFFICER STAUSBOLL: Yes. Thank
22 you for asking. I'm -- if it's okay, I'm going to read
23 the words that we're moving, just -- because I don't think
24 there really was a motion that reflected the exact words.

25 CHAIRPERSON SLATON: Okay.

1 CHIEF EXECUTIVE OFFICER STAUSBOLL: So the
2 section that we're moving, which is currently delegated to
3 Perf and Comp, and would be moved to the Board is,
4 "Conduct the hiring and termination of the CEO and..." --
5 it currently says, "...and CIO with input from the CEO
6 regarding the hiring and termination of the CIO". Yes?

7 CHAIRPERSON SLATON: Yes, that's what I --

8 COMMITTEE MEMBER JONES: Yes.

9 CHIEF EXECUTIVE OFFICER STAUSBOLL: Great.

10 CHAIRPERSON SLATON: Yeah, that's correct.

11 All right. Good. So we're all there. And the
12 last item on the agenda is public comment. I did not
13 receive any information. Is there anyone in the audience
14 who wishes to speak on items in Governance?

15 All right. Seeing none. This meeting is
16 adjourned.

17 (Thereupon California Public Employees'
18 Retirement System, Board Governance Committee
19 meeting adjourned at 9:09 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, Board Governance Committee meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, 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 25th day of April, 2016.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
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