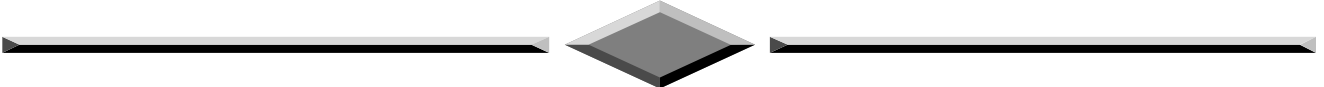


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
MINUTES OF MEETING  
Wednesday, March 16, 2016**



The Board of Administration met on Wednesday, March 16, 2016 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:01 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 reported on the search for the new CEO. He also noted the importance of having a power of attorney on file with CalPERS. President Feckner thanked the staff and Board Members in advance for attending the annual CalPERS night at the Sacramento Kings game.

### **AGENDA ITEM 4 – EXECUTIVE REPORTS**

#### **a. Chief Executive Officer Report**

Ms. Stausboll introduced Marlene Timberlake D'Adamo, CalPERS new Chief Compliance Officer.

Ms. Stausboll reported on the following:

- The development of the next Strategic Plan,
- The Business Plan for 2016-17,
- The proposed CalPERS' Budget Policy,
- Health Care Rate negotiations,
- The CalPERS Benefits Education Events,
- The Organizational Health Index survey,
- The annual APEX Awards,
- The Diversity and Inclusion All-Staff event,
- And the 11th Anniversary of Sunshine Week.

Ms. Stausboll recognized and thanked the staff of the New Employee Orientation Team in the Human Resources Office.

b. Chief Investment Officer Report

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

As of January 31, 2016, the total fund performance for the fiscal year-to-date is negative 5.9 percent. The three-year return of the total fund is 5.3 percent and the five-year return is at 6.4 percent. The ten-year return is at 4.5 percent and the 20-year return of the total fund is 6.8 percent. All asset class allocations are within policy ranges. The total fund assets are valued at \$279.5 billion.

## **AGENDA ITEM 5 – CONSENT ITEMS**

### **Action Consent Items:**

- a. Approval of February 18, 2016 Board of Administration Meeting Minutes
- b. Board Travel Approvals

Three additional requests were submitted by Richard Costigan and Michael Bilbrey. The requests are attached to these minutes.

On **MOTION** by Henry Jones, **SECONDED** by Priya Mathur, and **CARRIED**, the Board approved Action Consent Item 5a and 5b.

## **AGENDA ITEM 6 – CONSENT ITEMS**

## Information Consent Items:

- a. Board Meeting Calendar
- b. Draft Agenda for April 20, 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, March 14, 2016.

Additional information may be found in the March 14, 2016 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for April 18, 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, March 15, 2016.

Additional information may be found in the March 15, 2016 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for April 19, 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, March 15, 2016.

On **MOTION** by Committee and **CARRIED**, the Board approved staff's recommendation for proposed changes for the Board of Administration Election Voting Process. (FAC Item 5b)

On **MOTION** by Committee and **CARRIED**, the Board approved staff's recommendation to adopt the Second Reading of the CalPERS Budget Policy with proposed changes. (FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved staff's recommendation to approve the 2016-17 Business Plan with staff's proposed changes. (FAC Item 6b)

On **MOTION** by Committee and **CARRIED**, the Board approved the Fiscal Year (FY) 2016-17 Annual Budget Proposal as a First Reading in the amount of \$1,788,000,000 and 2,872 positions and approved the transmittal of this agenda item to the Joint Legislative Budget Committee, fiscal committees of the Legislature, State Controller, and Department of Finance, in accordance with the Budget Act of 2015, and to the Legislative Analyst's Office, Government Operations Agency, and the Office of the Legislative Counsel. (FAC Item 6c)

Additional information may be found in the March 15, 2016 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for April 19, 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, March 15, 2016.

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

On **MOTION** by Committee and **CARRIED**, with one abstention by JJ Jelincic, the Board approved the Semiannual Performance Plan Status Reports of the Chief Executive Officer and Chief Investment Officer. (PCTM Closed Session Item 3)

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for April 19, 2016 in Sacramento, California.

e. Risk and Audit Committee

The Committee did not meet in March.

The next meeting of the Risk and Audit Committee is scheduled for April 19, 2015 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet in March.

The next meeting of the Board Governance Committee is scheduled for April 19, 2016 in Sacramento.

**AGENDA ITEM 8 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES**

On **MOTION** by Henry Jones, **SECONDED** by Teresa Taylor and **CARRIED**, the Board adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8a through 8i, minus 8c, as the Board’s own decisions with the minor modification to Agenda Item 8f, as argued by staff.

JJ Jelincic abstained from Agenda Item 8c.

Henry Jones made a **MOTION, SECONDED**, by Priya Mathur, for the Board to adopt the proposed decisions at Agenda Item 8c as the Board’s own decision with the minor modifications to the Agenda Item.

With further discussion, on **SUBSTITUTE MOTION** by Bill Slaton, and **SECONDED**, by Richard Costigan, and **CARRIED**, the Board approved setting Item 8c for a Full Board Hearing.

**AGENDA ITEM 9 – DESIGNATION OF PRECEDENTIAL DECISION – PHILLIP MACFARLAND**

On **MOTION** by Henry Jones, **SECONDED** by Priya Mathur, and **CARRIED**, the Board approved directing the CalPERS Legal Office to solicit written comments from the public on whether or not to designate the decision at Agenda Item 9 as a precedential Board decision.

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

On **MOTION** by Henry Jones, **SECONDED** by Priya Mathur, and **CARRIED**, the Board approved adopting the consolidated full Board decision in the matters of Timothy Bacon and Darryl Hurt as presented by staff as the Board’s final decision.

**AGENDA ITEM 11 – STATE LEGISLATION**

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

## **AGENDA ITEM 12 – SUMMARY OF BOARD DIRECTION**

No direction given.

## **AGENDA ITEM 13 – PUBLIC COMMENT**

Al Darby representing Retired Public Employees Association spoke about private equity fees and guidelines.

Neal Johnson representing SEIU 1000 thanked staff for providing great customer service.

Meeting was recessed to closed session at 9:41 a.m.

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ANNE STAUSBOLL  
Chief Executive Officer

### Attachments:

1. Richard Costigan requested to go to the World Pension Forum 4/14-16/2016 in New York, N.Y.
2. Michael Bilbrey requested to go to the Trustee Leadership Forum 6/19-22/2016 in Boston, Massachusetts.
3. Michael Bilbrey requested to go to the ICGN Conference 6/27-29/2016 in San Francisco, California.



**REVISED**

Board of Administration  
**Agenda Item 5b**

March 16, 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:

<b>Board Member</b>	<b>Date</b>	<b>Destination</b>	<b>Purpose of Travel</b>
Richard Costigan	4/14/16-4/16/16	New York	Panelist at World Pension Forum
JJ Jelincic	6/19/16-6/23/16	Boston	Attend Trustee Leadership Forum
Michael Bilbrey	6/19/16-6/22/16	Boston	Attend Trustee Leadership Forum
Michael Bilbrey	6/27/16-6/29/16	San Francisco	Attend ICGN Conference

**ROB FECKNER, President**  
Board of Administration

**March 16, 2016**

This is intended as a guide for the Committee Chair. Other than the motions, this need not be read verbatim. The Chair may add context/comment as appropriate.

The Investment Committee met on March 14, 2016.

**The Committee approved the following:**

- AGENDA ITEM 5a  
The simplified and clarified Global Governance Principles
- AGENDA ITEM 5b  
The Investment Committee Delegation, with administrative changes, to the Board of Administration for consideration
- AGENDA ITEM 5c  
The Affiliate Fund policies, including the repeal of two legacy policies and various administrative updates
- AGENDA ITEM 7b  
The Global Governance Program's proposed environmental strategic priorities on climate change, including engagement on data and corporate reporting standards

**The Committee also received reports on the following topics:**

- Further proposed revisions to the Total Fund Policy, incorporating feedback from the February Investment Committee meeting, and
- The work of the Sustainability Accounting Standards Board to enhance corporate reporting standards
- The Chair directed staff to:
  1. Include the CEM report with the Investment Office Cost Effectiveness item in April, and contact CEM staff to check their availability to attend the April Investment Committee meeting
  2. Include commentary on income inequality in the strategic priorities for the April Global Governance Strategic Review
  3. Clarify the usage of "in-force" or "total" divestment universe in the Total Fund policy, and
  4. Propose a tentative schedule for considering the current tobacco divestment, along with an updated version of the Total Fund Investment Policy

**The Committee heard public comment on:**

- The proposed divestment policy, and
- The Global Governance Program's strategic priorities



**At this time I would like to share some highlights of what to expect at the April Investment Committee meeting:**

- The Real Assets Strategic Plan
- The third reading of the Total Fund Investment Policy

The next meeting of the Investment Committee is scheduled for April 18, 2016, in Sacramento, California.