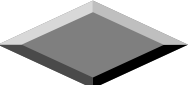


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
Wednesday, April 20, 2016**



The Board of Administration met on Wednesday, April 20, 2016 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:26 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. President Feckner recognized Lori McGartland's retirement and thanked her for her service.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Ms. Stausboll recognized Wayne Davis's appointment as the new Chief of CalPERS Office of Public Affairs. Ms. Stausboll thanked Lori McGartland for her 22 years of service.

Ms. Stausboll reported on the following:

- Health Care Rate negotiations,
- Proxy season,

- Attendance at the United Nations Ceremony for the Paris Agreement,
- The development of the next Strategic Plan,
- The CalPERS Benefits Education Events,
- The annual Coffees with the CEO,
- And the Gold Award received for the new website redesign.

Ms. Stausboll recognized and thanked the staff in the Operations Support Services Division and the property management team at Colliers for their leadership in CalPERS' commitment to sustainability.

b. Chief Investment Officer Report

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

As of February 29, 2016, the total fund performance for the fiscal year-to-date is negative 5.8 percent. The three-year return of the total fund is 5.3 percent and the five-year return is at 6 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 \$278.9 billion.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- Approval of March 16, 2016 Board of Administration Meeting Minutes
- Board Travel Approvals

On **MOTION** by JJ Jelincic, **SECONDED** by Ron Lind, and **CARRIED**, the Board approved Action Consent Items 5a and 5b.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

- Board Meeting Calendar
- Draft Agenda for May 18, 2016 Board of Administration Meeting
- General Counsel's Report
- 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, April 18, 2016.

Additional information may be found in the April 18, 2016 Agenda materials and transcripts of the Committee meeting.

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

b. Pension and Health Benefits Committee

There was no open session meeting.

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

On **MOTION** by Committee and **CARRIED**, the Board approved the Fiscal Year (FY) 2016-17 Annual Budget Proposal as a Second Reading in the amount of \$1,788,000,000 and 2,872 positions, with an additional \$500,000 budget for the review of the System's existing divestment initiatives, including tobacco; 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 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved the Treasury Management Policy with the proposed changes. (FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed elected Board Member percentages of time to be spent on Board related duties based on Board and committee selections held in January, February, March and April 2016. The percentages approved in April will be effective as of the committee selection dates. (FAC Item 7a)

On **MOTION** by Committee and **CARRIED**, the Board approved staff's recommendation that the Board adopt the employer contribution rates for the period July 1, 2016 to June 30, 2017. (FAC Item 8a)

On **MOTION** by Committee and **CARRIED**, the Board approved staff's recommendation that the Board adopt the employer contribution rate of 13.888 and maintain current employee contribution rates for the period of July 1, 2016 through June 30, 2017 for the School's Pool. (FAC Item 8b)

On **MOTION** by Committee and **CARRIED**, the Board approved staff's recommendation that the Board adopt staff's consolidation of the Actuarial Cost Method and Actuarial Amortization Policies. (FAC Item 8c)

Additional information may be found in the April 19, 2016 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for September 20, 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, April 19, 2016.

On **MOTION** by Committee and **CARRIED**, with one abstention by JJ Jelincic and two "No" votes by Richard Costigan and Richard Gillihan, the Board approved the proposed compensation program design concepts as presented, and directed the Board's compensation consultant to prepare a draft policy containing proposed compensation philosophy and design, pay ranges, incentive ranges, and metrics for review and approval as a first reading at the May 2016 Committee meeting. (PCTM Item 5)

Additional information may be found in the April 19, 2016 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for May 17, 2016 in Sacramento, California.

e. Risk and Audit Committee

Ron Lind, Chair, Risk and Audit Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, April 19, 2016.

The Committee elected Ron Lind as Chair, and Dana Hollinger as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board accepted the draft Independent Auditor's Management Letter as prepared by Macias Gini & O'Connell LLP for the year ended June 30, 2015. (RAC Item 7a)

Additional information may be found in the April 19, 2016 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Risk and Audit Committee is scheduled for June 14, 2016 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 Wednesday, April 20, 2016.

On **MOTION** by Committee and **CARRIED**, the Board approved moving paragraph two from the powers delegated to the Performance, Compensation and Talent Management Committee, which reads, "Conduct the hiring and termination of the Chief Executive Officer (CEO), and Chief Investment Officer (CIO), with input from the CEO regarding the hiring and termination of the CIO", to the Full Board of Administration as a power reserved to the Board. (GOV Item 7)

Additional information may be found in the April 20, 2016 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Board Governance Committee is tentatively scheduled for May 17, 2016 in Sacramento. (Note, subsequent to the meeting, the next meeting of the Board Governance Committee was deferred to June 2016.)

AGENDA ITEM 8 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

On **MOTION** by Henry Jones, **SECONDED** by Ron Lind and **CARRIED**, the Board adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8a through 8n, minus 8e, 8i, and 8m, as the Board's own decisions with the minor modifications to Agenda Item 8k, as argued by staff.

On **MOTION** by Henry Jones, **SECONDED** by Ron Lind and **CARRIED**, the Board adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8e and 8i.

Richard Costigan abstained from Agenda Items 8e and 8i.

Henry Jones made a **MOTION, SECONDED**, by Ron Lind, for the Board to schedule Agenda Item 8m for a full Board hearing on the limited issue of whether staff may recover or recoup any overpayments that may have been made to the member.

With further discussion, on **SUBSTITUTE MOTION** by JJ Jelincic, **SECONDED** by Priya Mathur and **CARRIED**, the Board remanded Agenda Item 8m to the ALJ for additional testimony and hearing on the limited issue identified by Mr. Jones in his motion.

AGENDA ITEM 9 – PETITION FOR RECONSIDERATION – DIANE D. EUER

On **MOTION** by Henry Jones, **SECONDED** by Ron Lind, and **CARRIED**, the Board denied the petition for reconsideration in Agenda Item 9a.

AGENDA ITEM 10 – FULL BOARD HEARING – SANTA CLARA COUNTY HEALTH AUTHORITY AND KATHLEEN KING

Agenda Item 10 was moved to the end of open session.

AGENDA ITEM 11 – STATE LEGISLATION

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

The Board recessed into closed session at approximately 10:02 a.m.

The Board reconvened into open session at approximately 11:15 a.m.

AGENDA ITEM 12 – SUMMARY OF BOARD DIRECTION

Direction was given to bring the tobacco divestment matter back to the Investment Committee next month.

AGENDA ITEM 13 – PUBLIC COMMENT

Larry Woodson, Chair of the Health Benefits Committee, California State Retirees spoke on the issue of CalPERS' decision to move toward online notification of Health Plan Open Enrollment.

George Linn representing Retired Public Employees Association spoke on CalPERS going paperless with notifications.

AGENDA ITEM 10 – FULL BOARD HEARING – SANTA CLARA COUNTY HEALTH AUTHORITY AND KATHLEEN KING

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
Priya Mathur
Bill Slaton
Theresa Taylor
Lynn Paquin for Betty Yee

Board of Administration Members recused: Ron Lind

At the February 18, 2016 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 Kathleen King had an employment relationship that entitled her to CalPERS membership.

Christopher Phillips, Senior Staff Counsel and Marguerite Seabourn, Assistant Chief Counsel appeared for CalPERS. Alison Hightower, Attorney, represented Santa Clara Family County Health Authority. Mr. Mark Renner, Attorney, represented Kathleen King.

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. Hightower and Mr. Renner 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.

The Board then turned to consider two evidentiary motions.

CalPERS staff submitted a motion to introduce evidence not contained in the administrative record.

Mr. Renner submitted a conditional motion for relief to supplement the administrative record.

Mr. Renner and Ms. Hightower presented brief arguments on the two motions.

Mr. Phillips then presented a brief argument on the two motions.

President Feckner granted both motions and admitted the two relevant documents into the administrative record.

Mr. Phillips then presented CalPERS Staff's arguments.

Mr. Renner and Ms. Hightower then presented arguments on behalf of Kathleen King and Santa Clara County Health Authority.

Mr. Phillips and Mr. Renner 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 12:51 p.m.

The Board reconvened into open session at approximately 1:01 p.m.

On **MOTION** by Henry Jones, and **SECONDED** by JJ Jelincic, and **CARRIED**, with an electronic vote taken, the Board adopted the proposed decision as the Board's own decision in its entirety.

The Roll Call Report is attached to these minutes.

The public meeting adjourned at approximately 1:01 p.m.

ANNE STAUSBOLL
Chief Executive Officer

Attachments:

1. Dana Hollinger requested to attend the CII Conference 3/20-23/2016 in Washington, D.C.
2. Priya Mathur requested to attend the PRI Western North America Meeting 4/27-28/2016 in Vancouver, Canada.
3. Dana Hollinger requested to go to the Milken Conference 5/1-4/2016 in Beverly Hills, California.
4. Richard Costigan requested to attend the Ceres Conference 5/3-6/2016 in Boston, Massachusetts.
5. Michael Bilbrey requested to attend the Ceres Conference 5/3-6/2016 in Boston, Massachusetts.
6. Ron Lind requested to attend the IFEBP Legislative Conference 5/23-25/2016 in Washington, D.C.
7. Ron Lind requested to attend the Trustee Leadership Forum for Retirement Security 6/19-23/2016 in Cambridge, Massachusetts.
8. Betty Yee requested to attend the Women in Governance Roundtable 6/19-25/2016 in New York, New York.
9. Henry Jones requested to attend the National Association of Investment Companies Annual PE Conference 10/2-5/2016 in New York, New York.
10. JJ Jelincic requested to attend the EDHEC Risk International Board Annual Meeting 10/5-16/2016 in Beau lieu-sur-Mer, France.
11. Dana Hollinger requested to attend the Women's Private Equity Summit 3/8-10/2017 in Half Moon Bay, California.
12. Board of Administration Full Board Hearing Voting Report



Board of Administration Agenda Item 5b

April 20, 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
Dana Hollinger	3/20/16-3/23/16	Washington, DC	Attend CII Conference
Priya Mathur	4/27/16-4/28/16	Vancouver, Canada	Attend PRI Western North America Meeting
Dana Hollinger	5/1/16-5/4/16	Beverly Hills, CA	Attend Milken Conference
Richard Costigan	5/3/16-5/6/16	Boston, MA	Attend Ceres Conference
Michael Bilbrey	5/3/16-5/5/16	Boston, MA	Attend Ceres Conference
Ron Lind	5/23/16-5/25/16	Washington, DC	Attend IFEBP Legislative Conference
Ron Lind	6/19/16-6/23/16	Cambridge, MA	Attend Trustee Leadership Forum for Retirement Security
Betty Yee	6/19/16-6/25/16	New York, NY	Attend Women in Governance Roundtable
Henry Jones	10/2/16-10/5/16	New York, NY	Attend National Association of Investment companies Annual PE Conference
JJ Jelincic	10/5/16-10/16/16	Beau lieu-sur-Mer, France	EDHEC Risk International Board Annual Meeting
Dana Hollinger	3/8/17-3/10/17	Half Moon Bay, CA	Women's Private Equity Summit

ROB FECKNER, President
Board of Administration

Subject Vote Report

Customer field 1

Board of Administration 4/20/16

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Customer field 2

Customer field 3

Subject Title

Announcement of Action taken on Full Board Hearing
c. Santa Clara County Health Authority and

Total Vote Result

Yes	9
Abstain	0
No	2
Total present	11
Seats	13

Group Voting Result

Group	Yes	Abstain	No	Absent
IND	9	0	2	11

Group Voting Conclusion

Motion approved

9 votes for the motion (JJ Jelincic (IND), Priya Mathur (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), Henry Jones (IND))

0 votes neither for nor against the motion

2 votes against the motion (Bill Slaton (IND), Dana Hollinger (IND))

Delegates Absent

Replaced Delegates

Acting Delegates

Subject Vote Report

Customer field 1

Board of Administration 4/20/16

4/20/2016 3:08:55 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

April 20, 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 April 18, 2016.

The Committee approved the following:

- AGENDA ITEM 5a
The selection of Courtland Partners and Pension Consulting Alliance as finalists for interview during the May Investment Committee
- AGENDA ITEM 6a
To maintain the current asset allocation for the Public Employee's Health Care Fund reserve fund
- AGENDA ITEM 7a
The Real Assets 2016 Strategic Plan
- AGENDA ITEM 8a
The revised Total Fund Investment Policy, without updates to the divestment section
- AGENDA ITEM 9a
A plan to revisit the tobacco investment in 12 – 24 months, including a financial and risk analysis and stakeholder outreach, and to adopt a threshold loss mitigation policy for all other divestments

The Committee also received reports on the following topics:

- An overview of the role diverse boards play in achieving better returns, and
- The Global Governance Program's "Social" portion of the ESG priorities, with an emphasis on board diversity and other human capital work.

The Committee heard public comment on:

- The proposed divestment policy, and
- The tobacco divestment.

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

- The Investment Office Roadmap and Target Operating Model Update, and
- A report from CEM Benchmarking on Investment Costs.

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