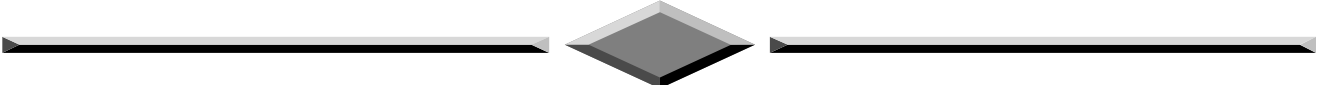


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
MINUTES OF MEETING  
Wednesday, May 18, 2016**



The Board of Administration met on Wednesday, May 18, 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  
Ralph Cobb 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

### **AGENDA ITEM 3 – PRESIDENT’S REPORT**

President Feckner reported on the search for the new CEO. President Feckner thanked all of CalPERS employees and supporters who participated in the Susan G. Komen Race.

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

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

Ms. Stausboll reported on the following:

- Proxy season,
- Global Governance Strategic review,
- The AAA grade CalPERS received from the Asset Owners Disclosure Project,
- Health Care Rate negotiations,

- The mid-cycle review of our interim asset allocation targets,
- The new Financial Literacy Project,
- Strategic Planning,
- Executive Employer visits,
- And the Technology Innovation Showcase.

Ms. Stausboll recognized and congratulated the winners of the annual CalPERS APEX Award.

b. Chief Investment Officer Report

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

As of March 31, 2016, the total fund performance for the fiscal year-to-date is negative 1.3 percent. The three-year return of the total fund is 6.4 percent and the five-year return is at 6.7 percent. The ten-year return is at 4.8 percent and the 20-year return of the total fund is 7.1 percent. The total fund assets are valued at \$289.9 billion.

## **AGENDA ITEM 5 – CONSENT ITEMS**

### **Action Consent Items:**

- Approval of April 20, 2016 Board of Administration Meeting Minutes
- Board Travel Approvals

One additional request was submitted by Priya Mathur. The request is attached to these minutes.

On **MOTION** by Henry Jones, **SECONDED** by Priya Mathur, 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 June 15, 2016 Board of Administration Meeting
- General Counsel's Report
- Communications and Stakeholder Relations

## **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, May 16, 2016.

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

The next meeting of the Investment Committee is scheduled for June 13, 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 May 17, 2016.

On **MOTION** by Committee and **CARRIED**, with one abstention from CalHR, the Board adopted a Neutral, if Amended position on Assembly Bill (AB) 1878 to include state miscellaneous plan members and identify an appropriate funding source. (PHBC Item 8)

On **MOTION** by Committee and **CARRIED**, with one abstention from CalHR, the Board adopted a Support, if Amended position on AB 2028 to apply the bill to all active California Public Employees' Retirement System (CalPERS) school and local agency members, consistent with the treatment of all retired CalPERS members reinstated to active service following an involuntary termination as provided under existing law. (PHBC Item 9)

On **MOTION** by Committee and **CARRIED**, the Board approved after consideration of the cumulative results for all Firms that participated in Solicitation No. 2015-7755, and from such results, selected OptumRx whose submission response best demonstrates the ability to offer Pharmacy Benefit Manager services in terms of customer service, pricing, and ability to fulfill contractual terms and conditions for calendar years 2017-2021. (PHBC Item 10)

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

The next meeting of the Pension and Health Benefits Committee is scheduled for June 14, 2016 in Sacramento, California.

c. Finance and Administration Committee

The Committee did not meet in May.

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, May 17, 2016.

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

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for June 14, 2016 in Sacramento, California.

e. Risk and Audit Committee

The Committee did not meet in May.

The next meeting of the Risk and Audit Committee is scheduled for June 14, 2016 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet in May.

The next meeting of the Board Governance Committee is scheduled for August 17, 2016 in Sacramento.

#### **AGENDA ITEM 8 – APPROVAL OF THE COMMITTEE DELEGATIONS**

On **MOTION** by Priya Mathur, **SECONDED** by Theresa Taylor, and **CARRIED**, with one no vote by JJ Jelincic, the Board approved revisions to the Board of Administration Delegations to the Board Committees and Appendix A to the Board Governance Policy to reflect the revisions associated with the Committee Delegations.

#### **AGENDA ITEM 9 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES**

On **MOTION** by Henry Jones, **SECONDED** by Priya Mathur and **CARRIED**, the Board adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 9a through 9w, as the Board's own decisions with the minor modifications to Agenda Item 9s, as argued by staff.

#### **AGENDA ITEM 10 – PETITION FOR RECONSIDERATION – SAFIA S. ALI**

On **MOTION** by Henry Jones, **SECONDED** by Ron Lind, and **CARRIED**, the Board denied the petition for reconsideration in Agenda Item 10a.

#### **AGENDA ITEM 11 – FULL BOARD HEARING – LEE TURNER JOHNSON (GRANTLAND LEE JOHNSON)**

Agenda Item 11 was moved to the end of closed session.

#### **AGENDA ITEM 12 – STATE LEGISLATION**

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

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

No direction was given.

#### **AGENDA ITEM 14 – PUBLIC COMMENT**

Kent McKinney, CalPERS retired member spoke on enrollment in combination health care plans.

The Board recessed into closed session at approximately 9:31 a.m.

The Board reconvened into open session at approximately 9:46 a.m.

#### **AGENDA ITEM 11 – FULL BOARD HEARING – LEE TURNER JOHNSON (GRANTLAND LEE JOHNSON)**

The following members were present:

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

Board of Administration Members recused: JJ Jelincic

At the March 16, 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 Dr. Lee Turner Johnson is entitled to survivor benefits.

Preet Kaur, Staff Counsel and Marguerite Seabourn, Assistant Chief Counsel appeared for CalPERS. Ian Barlow, Attorney, represented Lee Turner Johnson.

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. Barlow 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 Dr. Johnson's request to introduce several evidentiary declarations.

Mr. Barlow presented a brief argument on the evidentiary declarations.

Ms. Kaur then presented a brief argument on the evidentiary declarations.

President Feckner denied Dr. Johnson's request to introduce the declarations into the administrative record.

Ms. Kaur then presented CalPERS Staff's arguments.

Mr. Barlow then presented arguments on behalf of Dr. Johnson.

Ms. Kaur and Mr. Barlow each presented their rebuttal arguments.

The floor was then opened for questions by the Board.

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

The Board then recessed into closed session to deliberate on the Full Board Hearing at 11:05 a.m.

The Board reconvened into open session at approximately 11:18 a.m.

On **MOTION** by Henry Jones, and **SECONDED** by Priya Mathur, and **CARRIED**, with one "No" vote from Mr. Slaton, the Board adopted the proposed decision as the Board's own decision in its entirety.

The public meeting adjourned at approximately 11:19 a.m. and the Board recessed into closed session.

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ANNE STAUSBOLL  
Chief Executive Officer

Attachments:

1. Priya Mathur requested to attend the PRI signatory event 6/15-22/2016 in Boston, MA and the PRI Board Meetings in London, England.



Board of Administration  
Agenda Item 5b

REVISED

May 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
Priya Mathur	6/15/16-6/22/16	Boston, MA and London, England	Attend PRI signatory event. Attend PRI Board Meetings
Lynn Paquin	6/27/16-6/29/16	San Francisco, CA	Attend ICGN Conference

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

**ROB FECKNER, President**  
Board of Administration

**May 18, 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 May 16, 2016.

**The Committee approved the following:**

- AGENDA ITEM 9a  
The engagement of Pension Consulting Alliance for the role of Real Estate Board consultant, pending a 15% reduction in proposed fees and successful contract negotiations
- AGENDA ITEM 5a  
To express support with amendments for Assembly Bill 2833 (Cooley): Public Retirement Alternative Investments Disclosure
- AGENDA ITEM 5b  
To express support and to request an expanded definition of diversity for U.S. House Resolution 4718 (Maloney-NY): Gender Diversity Advisory Group

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

- A second review of the plan to revisit the tobacco investment
- A review of the current state of the Investment Office Roadmap and Target Operating Model
- The Global Governance Program's "Governance" portion of the ESG priorities, with an emphasis on alignment of interests and an update on proxy voting activities, and
- An overview of the Investment Office's continued progress in cost savings initiatives, presented by staff and CEM Benchmarking, Inc.
- The Chair directed staff to:
  1. Return with an updated analysis of the tobacco investment in six to nine months, and
  2. Include information on the tobacco holdings by our external managers and other asset classes within the updated study

**The Committee heard public comment on:**

- The Investment Office's cost-savings initiatives,
- The amendments to Assembly Bill 2833,
- The plan to re-examine the tobacco investment, and
- A labor dispute



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

- A review of the interim asset allocation targets, and
- The 2015 CalPERS for California Report.

The next meeting of the Investment Committee is scheduled for June 13, 2016, in Sacramento, California.