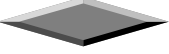


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
Wednesday, June 15, 2016**



The Board of Administration met on Wednesday, June 15, 2016 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:02 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
Lynn Paquin for Betty Yee

Board of Administration Members excused: Theresa Taylor

AGENDA ITEM 3 – PRESIDENT’S REPORT

Agenda Item 3 was moved to the end of the agenda.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Ms. Stausboll reported on the following:

- The “CalPERS for California” and “CalPERS California Initiative” reports,
- Health Care Rate premiums,
- The Capitol Markets Outlook and upcoming Asset Liability Management Process,
- Strategic Planning,
- And the Annual Employer Education Forum in October.

Ms. Stausboll recognized and congratulated the Financial Office for receiving an award from GFOA for Excellence in Government Finance. Ms. Stausboll also thanked and recognized the entire staff of CalPERS for their service.

b. Chief Investment Officer Report

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

As of April 30, 2016, the total fund performance for the fiscal year-to-date is 0.1 percent. The three-year return of the total fund is 6.1 percent and the five-year return is at 6.4 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 \$293.7 billion.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

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

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:

- a. Board Meeting Dates 2016 and 2017
- b. Board Agenda Item Calendar 2016
- c. Draft Agenda for August 17, 2016 Board of Administration Meeting
- d. General Counsel's Report
- e. 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, June 13, 2016.

Additional information may be found in the June 13, 2016 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for August 15, 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 June 14, 2016.

On **MOTION** by Committee and **CARRIED**, with one recusal from Richard Costigan, the Board approved the proposed 2017 Health Maintenance Organization (HMO) rates for Anthem Blue Cross, Blue Shield of California, Health Net of California, Kaiser Permanente, Sharp Health Plan, and UnitedHealthcare, and Medicare Advantage rates for Kaiser Permanente and UnitedHealthcare, as shown in attachment 1. (PHBC Item 5)

On **MOTION** by Committee and **CARRIED**, with one recusal from Richard Costigan, the Board approved the proposed 2017 rates for the Anthem Exclusive Provider Organization, PERS Choice, PERS Select, and PERSCare Preferred Provider Organization health plans, as shown in Attachment 2. (PHBC Item 6)

On **MOTION** by Committee and **CARRIED**, with one recusal from Richard Costigan, the Board adopted a **Support** position on Senate Bill 1010 because it would provide greater transparency in prescription drug costs so purchasers can understand its impact on health care affordability and premiums. (PHBC Item 7a)

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

The next meeting of the Pension and Health Benefits Committee is scheduled for September 20, 2016 in Sacramento, California.

c. Finance and Administration Committee

The Committee did not meet in June.

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, June 14, 2016.

On **MOTION** by Committee and **CARRIED**, the Board approved as a first reading the following proposed performance metric concepts:

- Operating Efficiency, using the Overhead Operating Costs (OOC) model
- INVO Cost Effectiveness Measurement (“CEM”)
- Total Fund Investment Returns
- Stakeholder Engagement/Customer Service

In addition, approve the performance plan framework concepts for the Chief Executive Officer and Chief Investment Officer positions for fiscal year 2016-17. (PCTM Item 5)

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

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for August 16, 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, June 13, 2016.

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed 2016-17 Enterprise Compliance Plan. (R&A Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed 2016-17 Enterprise Risk Management Plan. (R&A Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved the Board of Administration's Independent Financial Statement Auditor's Annual Audit Service Plan for the audit of CalPERS' financial statements as of and for the fiscal year ended June 30, 2016. (R&A Item 7a)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed Office of Audit Services Plan for Fiscal year 2016-17. (R&A Item 7b)

Additional information may be found in the June 13, 2016 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Risk and Audit Committee is scheduled for September 20, 2016 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet in June.

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

AGENDA ITEM 8 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

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

AGENDA ITEM 9 – PETITIONS FOR RECONSIDERATION

On **MOTION** by Henry Jones, **SECONDED** by Grant Boyken and **CARRIED**, the Board denied the petitions for reconsideration at Agenda Items 9a through 9e.

AGENDA ITEM 10 — DESIGNATION OF PRECEDENTIAL DECISION – PHILLIP MACFARLAND

On **MOTION** by Henry Jones, **SECONDED** by Grant Boyken, and **CARRIED**, the Board approved to designate the decision at Agenda Item 10 as a precedential Board 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

Matt Jacobs, CalPERS General Counsel will follow up on reporting out required from the Investment Committee.

AGENDA ITEM 13 – PUBLIC COMMENT

Neal Johnson, representing SEIU, Local 1000, thanked Anne Stausboll for the many years of her leadership.

AGENDA ITEM 3 – PRESIDENT’S REPORT

President Feckner reported on the search for the new CEO. President Feckner spoke of the 2016 Founders Award from the Association of Asian-American Investment Managers CalPERS received and thanked the Board and the Investment Office for its leadership on diversity.

President Feckner thanked Anne Stausboll for her years of leadership at CalPERS and wished her the best in her future endeavors.

The public meeting adjourned at approximately 9:49 a.m.

DOUG HOFFNER
Interim Chief Executive Officer



Board of Administration Agenda Item 5b

June 15, 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 |
|---------------------|---------------------|--------------------|---|
| Betty Yee | 6/27/16 | San Francisco, CA | Attend ICGN Conference |
| Priya Mathur | 8/18/16 – 8/27/16 | New Haven, CT | Attend and Speak at NCPERS Public Pension Funding Forum |
| Rob Feckner | 9/5/16 – 9/9/16 | Park City, Utah | Attend Public Funds Forum |
| Bill Slaton | 9/25/16 – 9/30/16 | Chicago, IL | Attend CII Fall Conference |
| Dana Hollinger | 10/18/16 – 10/21/16 | Chicago, IL | Institutional Investor Roundtable for Consultants and Institutional Investors |

ROB FECKNER, President
Board of Administration

June 13, 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 June 13, 2016.

The Committee approved the following:

- **AGENDA ITEM 5a**
To maintain the current interim asset allocation targets as approved in 2015 with no changes and that staff continue the important efforts around transparency, attribution analysis, and negotiation of appropriate terms in the private equity industry, and that the Committee exhibits patience and discipline around private equity in particular.
- **AGENDA ITEM 6a**
To adopt a neutral position on Assembly Bill 2348 (Levine): CalPERS Investments in California Infrastructure Projects. The Chair directed staff to return to the Committee if the bill comes to fruition for further discussion on potential conflicts with CalPERS' tax-exempt status.
- **AGENDA ITEM 7a**
To express support if amended for Assembly Bill 2833 (Cooley): Public Retirement Alternative Investments Disclosure.

The Committee also received reports on the following topics:

- Staff's approach to defining Key Performance Indicators for ESG themes within the new sustainable investment strategy. The Chair directed staff to articulate the Key Performance Indicators further, based on Committee feedback.
- An update on the Targeted Investment Programs' current initiatives and activities
- The CalPERS for California Report for 2015.
- The first reading of proposed revisions to the Real Assets Program policies.
- The Chair also directed staff to review the May Investment Committee meeting minutes and return in August with the necessary changes based on Committee direction.

The Committee heard public comment on the following four items:

- CalPERS' investments in Private Equity
- A labor dispute
- Support for the Emerging Managers Program
- And an expression of gratitude to Anne Stausboll for her years of service at CalPERS

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

- The CalPERS Trust Level Review
- The annual review of the Investment Compliance Program

The next meeting of the Investment Committee is scheduled for August 15, 2016, in Sacramento, California.