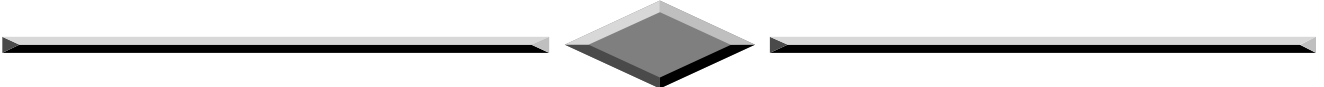


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
Wednesday, August 17, 2016**



The Board of Administration met on Wednesday, August 17, 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
Priya Mathur
Bill Slaton
Lynn Paquin for Betty Yee

Board of Administration Members excused: Ron Lind and Theresa Taylor

AGENDA ITEM 3 – PRESIDENT'S REPORT

President Feckner introduced the new Chief Executive Officer, Marcie Frost. President Feckner recognized Alan Milligan and congratulated him on his retirement.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Interim Chief Executive Officer Report

Mr. Hoffner welcomed Marcie Frost to CalPERS and thanked Alan Milligan for his service to the organization for over 15 years. Mr. Hoffner also welcomed Bev Augustine, CalPERS new Chief of Customer Service and Outreach Division.

Mr. Hoffner reported on the following:

- The employer visits held in the Riverside and Orange County area,
- The annual report on the Strategic Plan,
- Open enrollment,

- The Comprehensive Annual Financial Report,
- The Annual Employer Education Forum in October,
- And the Benefit Education Events.

Mr. Hoffner recognized and congratulated the IT Branch and Customer Services and Support division for receiving an award for the 2016 Best of California Award by the Center of Digital Government in the Best Analytics and Business Intelligence Project Category.

Mr. Hoffner also noted CalPERS received a Certificate of Achievement from the Climate Registry for the reporting and verification of our 2014 greenhouse gases and for being a leader in California and State Government.

b. Chief Investment Officer Report

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

As of June 30, 2016, the total fund performance for the fiscal year-to-date is 0.06 percent. The three-year return of the total fund is 6.9 percent and the five-year return is at 6.8 percent. The ten-year return is at 5.1 percent and the 20-year return of the total fund is 7.0 percent. The total fund assets are valued at \$295.1 billion.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- Approval of June 15, 2016 Board of Administration Meeting Minutes
- Board Travel Approvals

Two additional requests were submitted for Mr. Costigan to attend the CII Fall Conference in Chicago, IL and for Mr. Bilbrey to attend the Annual PRI Conference in Singapore. The requests are attached to these minutes.

On **MOTION** by Richard Costigan, **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 Dates 2016 and 2017
- Board Agenda Item Calendar 2016
- Draft Agenda for September 21, 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, August 15, 2016.

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

The next meeting of the Investment Committee is scheduled for September 19, 2016 in Sacramento, California.

b. Pension and Health Benefits Committee

The Committee did not meet in August.

The next meeting of the Pension and Health Benefits Committee is scheduled for September 20, 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, August 16, 2016 in Sacramento, California.

On **MOTION** by Committee and **CARRIED**, the Board approved the adoption of staff's consolidation of the Actuarial Assumptions Policy. (FAC Item 3b)

On **MOTION** by Committee and **CARRIED**, the Board approved the revised proposed regulations with minor updates, for the 15-day comment period and submission of the final rulemaking package to the Office of Administrative Law (OAL) upon conclusion of the comment period. (FAC Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved the revised Board of Administration Contract Activity Reporting Policy. (FAC Item 5b)

Additional information may be found in the August 16, 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 Billbrey, Chair, Performance, Compensation and Talent Management Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, August 16, 2016.

On **MOTION** by Committee and **CARRIED**, with one abstention by Lynn Paquin and two no votes from JJ Jelincic and Ralph Cobb, the Board approved the Proposed Performance Metrics and Policy amendments. (PCTM Item 5)

On **MOTION** by Committee and **CARRIED**, with one no vote by JJ Jelincic, the Board approved the 2016-17 Performance Plan for the Chief Investment Officer. (PCTM Item 6)

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

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for November 15, 2016 in Sacramento, California.

e. Risk and Audit Committee

The Committee did not meet in August.

The next meeting of the Risk and Audit Committee is scheduled for September 20, 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 Tuesday, August 16, 2016.

On **MOTION** by Committee and **CARRIED**, the Board approved the revised Board Governance Policy as presented in the agenda item. (GOV Item 5)

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

The next meeting of the Board Governance Committee is scheduled for September 20, 2016 in Sacramento.

AGENDA ITEM 8 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

On **MOTION** by Henry Jones, **SECONDED** by Richard Costigan and **CARRIED**, the Board adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8a through 8g, and Agenda Items 8i through 8t as the Board's own decisions with the minor modifications to Agenda Items 8g, 8m, and 8s, as argued by staff, and minor modifications to Agenda Item 8i to clarify, 1) that this is a disability retirement application not an industrial disability retirement application by deleting all references to the word "industrial" in the proposed decision; and 2) that member's appeal is being denied by deleting the first sentence in the final paragraph on page 26 of the proposed decision caption order.

On **MOTION** by Henry Jones, **SECONDED** by Richard Costigan and **CARRIED**, the Board approved to remand Agenda Item 8h for taking of additional evidence as argued by member to give member an opportunity to present medical evidence.

AGENDA ITEM 9 – PETITIONS FOR RECONSIDERATION

On **MOTION** by Henry Jones, **SECONDED** by Richard Costigan and **CARRIED**, the Board denied the petitions for reconsideration at Agenda Items 9a through 9d.

AGENDA ITEM 10a – STATE LEGISLATION

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

AGENDA ITEM 10b – FEDERAL LEGISLATION CONSULTANT UPDATE

- b. Mary Anne Ashley, Legislative Affairs Division Chief, provided an update on the Federal Legislation Consultant.

AGENDA ITEM 11 – SUMMARY OF BOARD DIRECTION

No direction was given.

AGENDA ITEM 12 – PUBLIC COMMENT

Neal Johnson, representing SEIU, Local 1000, thanked Alan Milligan for his time and service.

Bobbi Estrada. Representing California State Retirees let the Board know he will pass on their kind words to Gus and Lois Lease.

The public meeting adjourned at approximately 9:46 a.m.

DOUGLAS HOFFNER
Interim Chief Executive Officer

Attachment:

1. Michael Bilbrey requested to attend the Annual PRI Conference 9/5-16/16 in Singapore.
2. Richard Costigan requested to attend the CII Fall Conference 9/27-30-16 in Chicago, IL.



Board of Administration
Agenda Item 5b
Revised

August 17, 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	9/1/16 – 9/9/16	Singapore	Attend PRI Board Meetings and PRI In-Person Event
Michael Bilbrey	9/5/16-9/9/16	Singapore	Attend Annual PRI Conference
Dana Hollinger	9/6/16-9/8/16	Park City, UT	Attend Public Funds Forum
Henry Jones	9/7/16-9/9/16	Deer Valley, UT	Speak at Public Funds Forum
Henry Jones	9/22/16-9/24/16	Chicago, IL	Attend Small and Emerging Managers Conference
Richard Costigan	9/27/16-9/30/16	Chicago, IL	Attend CII Fall Conference
Henry Jones	10/5/16-10/6/16	New York, NY	Attend New America Alliance 16 th Annual Wall Street Summit

ROB FECKNER, President
Board of Administration



Investment Committee Meeting Summary

August 17, 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 August 15, 2016.

The Committee approved the following:

- AGENDA ITEM 5a

To adopt the Global Governance Five-Year Strategy, with an amended timeline for KPI number six, reducing the time for 100% adoption of the ILPA reporting template from twenty years to ten. In addition, the manager expectations KPIs will be presented in 2016, and the other corporate engagement KPIs will be presented as they are developed. The Committee also acknowledged the resource request contained in the materials, with a request for the Finance and Administration Committee to consider the request for the mid-year Budget Revision. The Chair also directed staff to return to the Committee with an item to discuss establishing an ESG subcommittee and hiring an ESG consultant.

- AGENDA ITEM 6a

To accept revisions to the Real Assets Program policy to bring it into alignment with the new Real Assets strategic plan.

The Committee also received reports on the following topics:

- The performance and risk profiles of the Public Employees' Retirement Fund and Affiliate Funds as of June 30, 2016, and
- An update on Investment Compliance and Operational Risk's current initiatives and activities

The Committee heard public comment on:

- The current market environment
- The Global Governance five year plan, and
- Feedback regarding the public comment process

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

- The Public Markets Annual Program Review
- The Public Fund Universe Comparison Reports from CalPERS investment consultants

The next meeting of the Investment Committee is scheduled for September 19, 2016, in Sacramento, California.