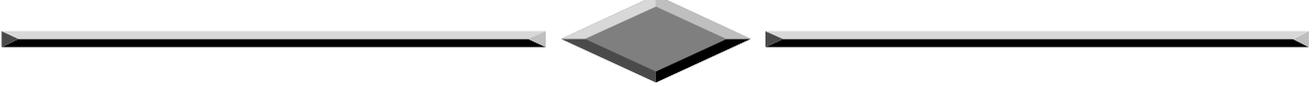


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION**

DRAFT

**MINUTES OF MEETING
Wednesday, September 21, 2016**



The Board of Administration met on Wednesday, September 21, 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
Katie Hagen 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 paid respects to Gus Lease and his family. President Feckner also paid respects to Barbara LaPlante and her family.

President Feckner acknowledged and thanked Doug Hoffner for serving as Interim Chief Executive Officer.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Interim Chief Executive Officer Report

Mr. Hoffner thanked the executive team and all of the employees of CalPERS for their support during his role as Interim Chief Executive Officer.

Mr. Hoffner reported on the following:

- The Funding and Risk Levels Report,

- The Strategic Plan,
- The Annual Diversity Report,
- Open enrollment,
- The Annual Employer Education Forum in October,
- The Benefit Education Events,
- And the Charitable Campaign Gift Giving Campaign.

Mr. Hoffner recognized the Diversity and Inclusion group for being named one of the nation's top 25 employee resource group by the ERG Council.

b. Chief Investment Officer Report

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

As of July 31, 2016, the total fund performance for the fiscal year-to-date (only July 2016) is 2.5 percent. The three-year return of the total fund is 6.7 percent and the five-year return is at 7.4 percent. The ten-year return is at 5.3 percent and the 20-year return of the total fund is 7.3 percent. The total fund assets are valued at \$303.5 billion.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- Approval of August 17, 2016 Board of Administration Meeting Minutes
- Board Travel Approvals

On **MOTION** by Priya Mathur, **SECONDED** by Richard Costigan, and **CARRIED**, the Board approved Action Consent Items 5a and 5b.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

- Board Agenda Item Calendar 2016
- Draft Agenda for November 16, 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, September 19, 2016.

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

The next meeting of the Investment Committee is scheduled for November 14, 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, September 20, 2016.

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed regulations to clarify the rules regarding family enrollments where some family members may enroll only in basic plans and other members may enroll only in Medicare or supplemental plans. (PHBC Item 5)

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

The next meeting of the Pension and Health Benefits Committee is scheduled for November 15, 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, September 20, 2016 in Sacramento, California.

On **MOTION** by Committee and **CARRIED**, with one no vote by JJ Jelincic, the Board approved the revised proposed regulations with one minor update to remove the word "eligible" to Section 554.5 and submitted the final rulemaking package to the Office of Administrative Law (OAL). (FAC Item 5a)

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

The next meeting of the Finance and Administration Committee is scheduled for November 16, 2016 in Sacramento, California.

d. Performance, Compensation and Talent Management Committee

The Committee did not meet in September.

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

Ron Lind, Chair, Risk and Audit Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, September 20, 2016.

On **MOTION** by Committee and **CARRIED**, the Board approved staff's recommendation for the firms who have passed the technical proposal evaluation to provide independent

financial statement auditing services appear before the Risk & Audit Committee in November 2016 for an oral interview.

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

The next meeting of the Risk and Audit Committee is scheduled for November 15, 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, September 20, 2016.

On **MOTION** by Committee and **CARRIED**, with an electronic vote, the Board approved staff's recommendation to begin the rulemaking process for the draft regulation on public comment as presented by staff, with one change to remove the nine minute cumulative time limit from the regulation. (GOV Item 5)

Attached to the minutes is the Roll Call Vote Report.

Tim Behrens, President of the California State Retirees made a public comment in opposition to the proposed regulation.

On **MOTION** by Committee and **CARRIED**, with one no vote by JJ Jelincic, the Board approved the revised policy for Travel Expense transparency as presented in the agenda item. (GOV Item 6)

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

The next meeting of the Board Governance Committee is scheduled for November 16, 2016 in Sacramento.

AGENDA ITEM 8 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

On **MOTION** by Henry Jones and **CARRIED**, the Board adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8a through 8m, Agenda Items 8o through 8p and Agenda Items 8r through 8w as the Board's own decisions, with the minor modifications as argued by staff, to Agenda Item 8g, 8k, and 8u.

On **MOTION** by Henry Jones and **CARRIED**, the Board approved to remand Agenda Item 8n for taking of additional evidence regarding the psychological conditions and related limitations asserted by the member.

On **MOTION** by Henry Jones and **CARRIED**, with one abstention by Richard Costigan, the Board adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Item 8q as the Board's own decision with the minor modifications as argued by staff.

AGENDA ITEM 9 – PETITIONS FOR RECONSIDERATION

On **MOTION** by Henry Jones, **SECONDED** by Priya Mathur and **CARRIED**, the Board denied the petition for reconsideration at Agenda Item 9a.

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

See public comment made on Agenda Item 7f.

The public meeting adjourned at approximately 9:45 a.m.

DOUGLAS HOFFNER
Interim Chief Executive Officer

Attachment:

1. Board Governance Committee Subject Vote Report

Subject Vote Report

Customer field 1

Board of Administration 9/21/16

9/21/2016 11:46:02 AM

Customer field 2

Customer field 3

Subject Title

7. Committee Reports and Actions

f. Board Governance Committee (Oral)

Total Vote Result

Yes	10
Abstain	0
No	2
Total present	12
Seats	13

Group Voting Result

Group	Yes	Abstain	No	Absent
IND	10	0	2	9

Group Voting Conclusion

Motion approved

10 votes for the motion (Ron Lind (IND), Priya Mathur (IND), Bill Slaton (IND), Lynn Paquin for Yee (IND), Grant Boyken for Chiang (IND), Michael Bilbrey (IND), Richard Costigan (IND), Richard Gillihan (IND), Dana Hollinger (IND), Henry Jones (IND))

0 votes neither for nor against the motion

2 votes against the motion (JJ Jelincic (IND), Theresa Taylor (IND))

Delegates Absent

Replaced Delegates

Acting Delegates

Subject Vote Report

Customer field 1

Board of Administration 9/21/16

9/21/2016 11:46:02 AM

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			
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



Board of Administration
Agenda Item 5b
REVISED

September 21, 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	9/18/16-9/23/16	New York, NY	Attend United Nations Global Compact
JJ Jelincic	9/27/16-10/1/16	Chicago, IL	Attend CII Fall Conference
Priya Mathur	10/8/16-10/11/16	New York, NY	Attend Inclusive Capitalism Conference and moderate at PRI Economic Inequality Roundtable

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

ROB FECKNER, President
Board of Administration

September 21, 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 September 19, 2016.

The Committee received reports on the following four topics:

1. A report by Wilshire Associates on the comparative performance and risk of the Total Fund against a peer universe of public pension funds. The Chair directed staff and Wilshire to discuss continuing the comparison report with the Chair and Vice Chair.
 2. The revised enterprise risk managed framework
 3. Staff and consultant's annual review of the Global Equity and the Global Fixed Income Programs, and
 4. Recent developments on federal legislative items of interest to CalPERS. The Chair directed legislative staff to clarify the process and the Board level of involvement in the federal legislative process at the Board Governance Committee at a later date.
- The Chair also directed staff to:
 - Add language to the annual committee calendar for months with no scheduled items, and
 - Create a projected PERF Cash Flow Analysis chart using lower rates of return of 6% and 6.5%

The Committee heard public comments on:

- CalPERS' investment strategy
- CalPERS' communication strategy, and
- Labor negotiations.

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

- The Private Markets Annual Program Review
- The annual review of the Legislative Guidelines related to Investments

The next meeting of the Investment Committee is scheduled for November 14, 2016, in Sacramento, California.