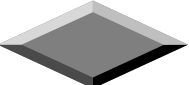


---

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
MINUTES OF MEETING  
Wednesday, November 16, 2016**

---



The Board of Administration met on Wednesday, November 16, 2016 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:35 a.m. and the following members were present:

Rob Feckner, President  
Henry Jones, Vice President  
Michael Bilbrey  
Najia Rosales for John Chiang  
Richard Costigan  
Richard Gillihan  
Dana Hollinger  
JJ Jelincic  
Ron Lind  
Priya Mathur  
Bill Slaton  
Theresa Taylor  
Karen Greene-Ross for Betty Yee

Board of Administration Members excused: None

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

President Feckner honored all veterans who are serving or have served. President Feckner thanked all the veterans who are a part of the CalPERS family.

President Feckner acknowledged and thanked the Board members for participating at the Educational Forum.

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

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

Ms. Frost gave a special thanks to all the veterans for their service.

Ms. Frost also thanked the Board members for their time and perspectives and thanked the executive team for all their insight and support.

Ms. Frost reported on the following:

- The Strategic Plan,
- Open enrollment,
- The new pharmacy benefits manager OptumRx,
- National Diabetes Month and CalPERS new management program to include diabetes prevention,
- The Chief Actuary position update,
- The Annual Employer Education Forum,
- The customized employer actuarial valuations,
- The divestment policy report on tobacco,
- The Comprehensive Annual Financial Report,
- And the Annual California State Employees Food Drive.

Ms. Frost recognized the CalPERS team who runs the California Employees Retirement Benefit Trust Program (CERBT) for signing its 500th participant as well as reaching \$5.5 billion in assets.

b. Chief Investment Officer Report

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

As of September 30, 2016, the total fund performance for the fiscal year-to-date is 3.6 percent. The three-year return of the total fund is 6.2 percent and the five-year return is at 9.1 percent. The ten-year return is at 5.0 percent and the 20-year return of the total fund is 7.1 percent. The total fund assets are valued at \$305.2 billion.

## AGENDA ITEM 5 – CONSENT ITEMS

### Action Consent Items:

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

On **MOTION** by Ron Lind, **SECONDED** by Henry Jones, and **CARRIED**, the Board approved Action Consent Item 5a, as amended to ensure the accuracy of the Subject Vote Report.

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

## AGENDA ITEM 6 – CONSENT ITEMS

### Information Consent Items:

- a. Board Agenda Item Calendar 2016
- b. Draft Agenda for December 21, 2016 Board of Administration Meeting
- c. General Counsel's Report

d. 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, November 14, 2016.

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

The next meeting of the Investment Committee is scheduled for December 19, 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, November 15, 2016.

On **MOTION** by Committee and **CARRIED**, with one abstention by Richard Gillihan, the Board approved to sponsor legislation to make technical and minor policy changes to sections of the Government Code affecting the benefit programs administered by California Public Employees' Retirement System (CalPERS). (PHBC Item 5)

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

The next meeting of the Pension and Health Benefits Committee is scheduled for December 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, November 15 and 16, 2016 in Sacramento, California.

On **MOTION** by Committee and **CARRIED**, the Board approved the draft CalPERS 2015-16 Basic Financial Statements. (FAC Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved the first reading of the California Public Employees' Retirement System Fiscal Year (FY) 2016-17 Mid-Year Total Budget of \$1,787,234,000 and 2,886 positions. (FAC Item 5b)

On **MOTION** by Committee and **CARRIED**, with one abstention by Richard Gillihan, the Board approved sponsored legislation to make technical and minor policy changes to the sections of the Government Code affecting the benefit programs administered by the California Public Employees' Retirement System (CalPERS). (FAC Item 6a)

Additional information may be found in the November 15 and 16, 2016 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for December 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, November 15, 2016 in Sacramento, California.

On **MOTION** by Committee and **CARRIED**, with one abstention by Richard Gillihan, the Board approved the former Chief Executive Officer's FY 2015-16 performance award of \$119,038. (PCTM Item 3)

On **MOTION** by Committee and **CARRIED**, with one abstention by Richard Gillihan, the Board approved the Chief Investment Officer's FY 2015-16 performance award of \$248,026 and a FY 2016-17 base salary of \$543,780. (PCTM Item 4)

On **MOTION** by Committee and **CARRIED**, the Board approved the 2016-17 Performance Plan of the Chief Executive Officer. (PCTM Item 5)

Mr. Jelincic did not vote on PCTM Items 3, 4, and 5.

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

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for February 14, 2017 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, November 15, 2016.

On **MOTION** by Committee and **CARRIED**, the Board approved the Independent Auditor's Audit Report on the Basic Financial Statements and the accompanying required communications for the fiscal year ended June 30, 2016. (RAC Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved the Management Letter as prepared by Macias Gini & O'Connell LLP for the fiscal year ended June 30, 2016. (RAC Item 5b)

On **MOTION** by Committee and **CARRIED**, the Board approved the award of the Independent Financial Statement Auditor contract to Macias Gini & O'Connell LLC. (RAC Item 5c)

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

The next meeting of the Risk and Audit Committee is scheduled for February 14, 2017 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet in November.

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

**AGENDA ITEM 8 – DELINQUENT CONTRACTING AGENCIES MATTER**

On **MOTION** by Richard Costigan and **SECONDED** by Henry Jones, and **CARRIED**, the Board adopted staff's recommendation to declare the City of Loyalton in default of its obligations and to reduce the retirement benefits.

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

On **MOTION** by Henry Jones and **SECONDED** by Ron Lind, and **CARRIED**, the Board (1) adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 9a through 9c, Agenda Items 9e through 9dd as the Board's own decision, with the minor modification argued by staff; and (2), scheduled Agenda Item 9d for a full Board hearing on the limited questions of, (A) whether member compensation with the water master was made pursuant to publicly available pay schedules; (B) whether the member, as an employee, during the time received severance pay; and (C) whether the six months of severance pay that the member received constitutes compensation earnable for purposes of the PERL.

**AGENDA ITEM 10 – PETITIONS FOR RECONSIDERATION**

On **MOTION** by Henry Jones, **SECONDED** by Ron Lind and **CARRIED**, the Board denied the petitions for reconsideration at Agenda Items 10a through 10c.

**AGENDA ITEM 11 – STATE LEGISLATION UPDATE**

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

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

Amend the September 21, 2016 minutes and follow up on whether AB 1954 (Burke) will necessitate any changes within CalPERS benefit program and whether a referral is currently required to receive reproductive or sexual health care services.

**AGENDA ITEM 13 – PUBLIC COMMENT**

No public comment was made.

The public meeting adjourned at approximately 11:24 a.m.

---

MARCIE FROST  
Chief Executive Officer



Board of Administration  
Agenda Item 5b  
REVISED

November 16, 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	11/29/16-12/2/16	London, England	Attend PRI Board Meetings
Dana Hollinger	12/5/16-12/9/16	London, England	Attend ICGN and International Integrated Reporting Council Conference
Michael Bilbrey	12/13/16-12/15/16	Las Vegas, NV	CORPaTH Summit on Defined Benefit Plans
Henry Jones	2/22/17-2/24/17	Seattle, WA	PPI Winter Roundtable and PPI Board Meeting
Ron Lind	2/26/17-3/2/17	Washington, DC	CII Spring Conference and ICGN Conference
Dana Hollinger	3/1/17-3/4/17	Washington, DC	Attend ICGN ESG Training
Henry Jones	7/24/17-7/30/17	Toronto, Canada	Attend PPI Summer Roundtable and PPI Board Meeting
Henry Jones	11/2/17-11/11/17	New Delhi and Mumbai, India	Attend PPI Executive Seminar, Asia Roundtable and PPI Board Meeting

**ROB FECKNER, President**  
Board of Administration

---

**November 16, 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 November 14, 2016.

**The Committee approved the following:**

- AGENDA ITEM 5a

To remove three portfolio companies from the CalPERS list of companies subject to the California Public Divest from Iran Act. The Chair directed staff to return with holdings information from those three companies, staff provided that data at the end of the meeting.

- AGENDA ITEM 6a

To sponsor legislation to expand the types of collateral allowed within the CalPERS' securities lending transactions.

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

1. The first reading of the revised Legislative and Policy Engagement Guidelines. The chair directed senior staff and the federal representatives to continue the discussion of the purpose and structure of the guidelines at the January offsite.
2. The Private Equity annual program review, given by staff and Pension Consulting Alliance. The Chair directed staff to continue to report back on progress regarding the capture and disclosure of Private Equity fees. The Chair also directed to staff to explore opportunities to engage with other limited partners and ILPA to encourage further fee disclosure and other limited partner priorities, and
3. The Real Assets annual program review, presented by staff and Pension Consulting Alliance, Wilshire Associates, and StepStone.

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

- One, a review of tobacco restrictions,
- The Responsible Contractor Policy Program Annual Report,
- An update on CalPERS' governance and sustainability activities, and
- An update on the Investment Office Roadmap and Target Operating Model

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