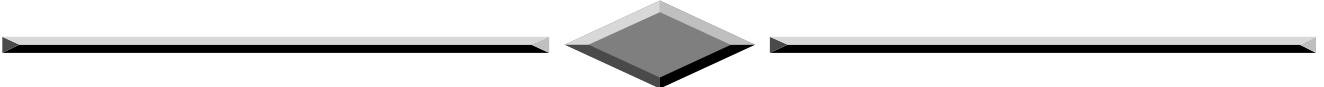


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
MINUTES OF MEETING  
Wednesday, February 15, 2017**



The Board of Administration met on Wednesday, February 15, 2017 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:00 a.m. and the following members were present:

Rob Feckner, President  
Henry Jones, Vice President  
Michael Bilbrey  
Steve Juarez for John Chiang  
Richard Costigan  
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 thanked his colleagues for re-electing him as Board President.

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

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

Ms. Frost reported on the following:

- The Regional Office visits,
- The California Society of Municipal Finance Officers annual conference,
- And Health Care Plan Rate Negotiations.

Ms. Frost recognized team members for the food and monetary donations made to the Sacramento Food Bank. CalPERS reached their goal of collecting 50,000 pounds of food.

b. Chief Investment Officer Report

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

As of December 31, 2016, the total fund performance for the fiscal year-to-date is 3.9 percent. The three-year return of the total fund is 4.6 percent and the five-year return is at 8.6 percent. The ten-year return is at 4.4 percent and the 20-year return of the total fund is 6.8 percent. The total fund assets are valued at \$302.8 billion.

## **AGENDA ITEM 5 – CONSENT ITEMS**

### **Action Consent Items:**

- a. Approval of December 21, 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 Agenda Item Calendar 2017
- b. Draft Agenda for March 15, 2017 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, February 13, 2017.

The Committee elected Henry Jones as Chair and Bill Slaton as Vice Chair.

Additional information may be found in the February 13, 2017 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for March 13, 2017 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, February 14, 2017.

The Committee reelected Priya Mathur as Chair and Michael Bilbrey as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved the PHBC Delegation. (PHBC Item 6)

On **MOTION** by Committee and **CARRIED**, the Board approved adoption of proposed updates to the “Retirement Guidelines and Health Care Guidelines” section of the Legislative and Policy Engagement Guidelines, along with conforming changes to the “Introduction” and “General Guidelines” sections. (PHBC Item 7)

After further discussion, and on **MOTION** by Priya Mathur and **SECONDED** by Dana Hollinger, and **CARRIED**, the Board approved to rescind the prior motion on PHBC Item 7.

On **MOTION** by Priya Mathur and **SECONDED** by JJ Jelincic, and **CARRIED**, the Board approved to rescind the “Retirement Guidelines” section and approve the proposed updates to the “Healthcare Guidelines” section of the Legislative and Policy Engagement Guidelines, along with conforming changes to the “Introduction” and “General Guidelines” sections; and, to clarify that the Board has delegated to the CEO primary responsibility for determining CalPERS position on federal bills. (PHBC Item 7)

On **MOTION** by Committee and **CARRIED**, after much discussion and with a roll call vote, the Board approved Staff’s recommendation to submit to the Office of Administrative Law (OAL) the proposed regulation clarifying that in cases where enrollment in either a basic or supplemental plan is not possible, an employee or annuitant must enroll his or herself and eligible family members in a basic plan and a supplemental plan provided by a single carrier, unless the Board authorizes enrollment in plans from more than one carrier. (PHBC Item 8)

**Roll Call Vote PHBC Item 8:**

<b>Board Member</b>	<b>Yes</b>	<b>No</b>
J.J. Jelincic		x
Ron Lind		x
Priya Mathur	x	
Bill Slaton	x	
Theresa Taylor		x
Lynn Paquin for Betty Yee	x	
Steve Juarez for John Chiang	x	
Michael Bilbrey		x
Richard Costigan		x
Richard Gillihan	x	
Dana Hollinger	x	
Henry Jones		x
Rob Feckner	x	

Public Comment on PHBC Item 8

Tim Behrens, President of the California State Retirees urged the Board to vote no on the proposed regulation.

James Anderson, Legislative Director for the Retired Public Employees Association urged the Board to vote no on the proposed regulation or postpone it to a rehearing.

Additional information may be found in the February 14, 2017 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for March 14, 2017 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, February 14, 2017 in Sacramento, California.

The Committee reelected Richard Costigan as Chair and Theresa Taylor as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved the appointment of Scott Terando, Chief Actuary, as the CalPERS representative to the California Actuarial Advisory Panel (CAAP) for the remainder of the three-year term ending December 31, 2017. (FAC Item 4b)

On **MOTION** by Committee and **CARRIED**, the Board approved the results of the Long-Term Care (LTC) Valuation Report ending June 30, 2016. (FAC Item 4c)

On **MOTION** by Committee and **CARRIED**, the Board approved the CalPERS 2017-2022 Strategic Plan and 2017-18 Business Plan Initiatives that will commence July 1, 2017. (FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved the Notice of Election for the 2017 CalPERS Board of Administration Member-at-Large Election as modified to change the word “retiree” to “candidate” under the “Eligibility” section of the Notice. (FAC Item 7a)

On **MOTION** by Committee and **CARRIED**, the Board approved the adoption of the consolidated Actuarial Contribution Allocation Policy and rescind policies approved by the Board. (FAC Item 8a)

On **MOTION** by Committee and **CARRIED**, the Board approved the adoption of the revised Funding Risk Mitigation Policy. (FAC Item 9a)

Additional information may be found in the February 14, 2017 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for March 14, 2017 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, February 14, 2017 in Sacramento, California.

The Committee elected Michael Bilbrey as Chair and Richard Costigan as Vice Chair.

On **MOTION** by Committee and **CARRIED**, with one abstention by JJ Jelincic, the Board approved the 2016-17 Semiannual Status Reports of the CEO and CIO, and proposed

changes to the CIO's plan, as amended by the Committee and shown in Attachment 1. (PCTM Item 6)

On **MOTION** by Committee and **CARRIED**, with one abstention by JJ Jelincic, the Board approved staff conducting a biennial survey for positions covered under the Board's compensation-setting authority, and the bringing forward of an information item regarding compensation for selected positions not currently covered, at a future Committee meeting. (PCTM Item 7)

On **MOTION** by Committee and **CARRIED**, with one abstention by JJ Jelincic, the Board approved the Committee delegation to remain as-is with no changes, and this recommendation will be brought to the Board in April for consideration, along with the other committee delegations. (PCTM Item 8)

On **MOTION** by Committee and **CARRIED**, with one abstention by JJ Jelincic, the Board approved the implementation methodology and revised incentive payout ratio as presented. (PCTM Item 9)

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for June 20, 2017 in Sacramento, California.

e. Risk and Audit Committee

Dana Hollinger, Chair, Risk and Audit Committee, presented the Committee Summary report to the Board. The Committee met on Monday, February 13, 2017 in Sacramento, California.

The Committee elected Dana Hollinger as Chair, and Ron Lind as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved recommended changes to the Committee delegation to be brought to the Board in April for approval, along with other Committee delegations. (RAC Item 6)

The next meeting of the Risk and Audit Committee is scheduled for June 20, 2017 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet.

The next meeting of the Board Governance Committee is scheduled for March 13, 2017 in Sacramento.

## **AGENDA ITEM 8 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES**

On **MOTION** by Henry Jones and **SECONDED** by Richard Costigan, and **CARRIED**, the Board adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8a through 8gg, as the Board's own decision, with the minor clarification/modifications argued by staff.

## **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 and 9b.

## **AGENDA ITEM 10 – FULL BOARD HEARING**

- a. Sheldon Scarber

Agenda Item 10 was moved to be heard after Agenda Item 12.

## **AGENDA ITEM 11 – FULL BOARD HEARING**

- a. Paul Mast

Agenda Item 11 was moved to be heard after Agenda Item 12.

## **AGENDA ITEM 12 – STATE AND FEDERAL LEGISLATION UPDATE**

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

The Board recessed at approximately 10:03 a.m.

The Board reconvened at approximately 10:14 a.m.

## **AGENDA ITEM 10 – FULL BOARD HEARING**

- a. Sheldon Scarber

The following members were present:

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

Board of Administration Members excused: None

At the December 21, 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 Mr. Sheldon Scarber.

Marguerite Seabourn, Assistant Chief Counsel and Elizabeth Yelland, Senior Staff Counsel appeared for CalPERS. Sheldon Kyle Scarber represented himself.

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. 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.

Ms. Yelland then presented CalPERS Staff's arguments.

Mr. Scarber then presented arguments on his own behalf.

Ms. Yelland and Mr. Scarber each presented their rebuttal arguments.

The floor was then opened for questions by the Board.

Ms. Yelland and Mr. Scarber 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 11:27 a.m.

### **Closed Session**

Deliberate on Full Board Hearing (**Government Code section 11126(c)(3)**)

b. Sheldon Scarber

The Board reconvened into open session at approximately 11:56 a.m.

Take Action on Full Board Hearing

c. Sheldon Scarber

On **MOTION** by Henry Jones, and **SECONDED** by JJ Jelincic, and **CARRIED**, with a roll call vote, the Board approved adoption of the proposed decision as the Board's own decision with a minor modification to delete any and all references to the word "equity" therein.

### **Roll Call Vote Item 10c:**

<b>Board Member</b>	<b>Yes</b>	<b>No</b>
J.J. Jelincic	x	
Priya Mathur		x
Bill Slaton	x	

Theresa Taylor	x	
Lynn Paquin for Betty Yee	x	
Eric Lawyer for John Chiang	x	
Michael Bilbrey	x	
Richard Costigan	x	
Richard Gillihan	x	
Dana Hollinger		x
Henry Jones		x

Ron Lind was excused and did not participate in the vote. President Feckner did not participate in the vote.

**AGENDA ITEM 11 – FULL BOARD HEARING**

a. Paul Mast

The following members were present:

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

Board of Administration Members excused: Ron Lind

At the April 20, 2016 Board meeting, the Board declined to adopt the proposed decision of the Administrative Law Judge (ALJ) and remanded the case back to the Office of Administrative Hearings for the taking of additional evidence. At the December 21, 2016 Board meeting, the Board again rejected the proposed decision this time after remand, and scheduled this matter for a full Board hearing.

Jeffrey Ryan Rieger of the law firm Reed Smith and Marguerite Seabourn, Assistant Chief Counsel appeared for CalPERS. Lee Horner, attorney, represented Judge Paul Mast.

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. 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.



Mr. Reiger then presented CalPERS Staff's arguments.

Mr. Horner then presented arguments on behalf of Mr. Mast.

Mr. Reiger and Mr. Horner 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 20 minutes.

The Board then recessed into closed session to deliberate on the Full Board Hearing at 12:40 p.m.

### **Closed Session**

Deliberate on Full Board Hearing (**Government Code section 11126(c)(3)**)

b. Paul Mast

The Board reconvened into open session at approximately 12:58 p.m.

Take Action on Full Board Hearing

c. Paul Mast

On **MOTION** by Henry Jones, and **SECONDED** by JJ Jelincic, and **CARRIED**, with a roll call vote, the Board rejected the proposed decision on remand's ruling that the settlement agreement is unenforceable, and adopted the proposed decision on remand's ruling that the member was not entitled to retire until he reached age 63.

### **Roll Call Vote Item 11c:**

<b>Board Member</b>	<b>Yes</b>	<b>No</b>
J.J. Jelincic	x	
Priya Mathur	x	
Bill Slaton	x	
Theresa Taylor	x	
Lynn Paquin for Betty Yee	x	
Eric Lawyer for John Chiang	x	
Michael Bilbrey	x	
Richard Costigan	x	
Richard Gillihan	x	
Dana Hollinger	x	
Henry Jones	x	

President Feckner did not participate in the roll call vote.

### **AGENDA ITEM 13 – SUMMARY OF BOARD DIRECTION**

Direction was given to update the rolling Committee Calendar for March Investment Committee regarding the Dakota Access Pipeline; provide analysis on combination enrollments from a policy and fiscal impact to implement; and provide an update on federal actions that may have an impact on the Secure Choice retirement program.

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

No comment was given.

The public meeting adjourned at approximately – 12:59 p.m.

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MARCIE FROST  
Chief Executive Officer



# Board of Administration Agenda Item 5b

February 15, 2017

**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:

<b>Board Member</b>	<b>Date</b>	<b>Destination</b>	<b>Purpose of Travel</b>
Priya Mathur	2/28/17-3/4/17	London, England	Attend PRI Board Meetings
Henry Jones	4/30/17-5/4/17	Johannesburg, South Africa	Speak at the Ai CEO Pension and Sovereign Wealth Fund Summit
Henry Jones	6/14/17-6/17/17	New York, NY	Attend Toigo Board Meeting
Dana Hollinger	7/10/17-7/13/17	Kuala Lumpur, Malaysia	Attend and speak at ICGN Annual Conference

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**ROB FECKNER, President**  
Board of Administration

**February 15, 2017**

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 February 13, 2017.

**The Committee conducted an election for the Chair and Vice Chair positions:**

- Henry Jones was elected as Chair of the Committee, and
- Bill Slaton was elected as Vice Chair of the Committee.

**The Committee approved the following:**

- AGENDA ITEM 6a  
To not retain the legislative guidelines with respect to investment matters, and to clarify that the Board has delegated to the CEO primary responsibility for determining CalPERS' positions on federal bills,
- AGENDA ITEM 8b  
To repeal the Statement of Investment Policies for Appraisal of CalPERS Real Estate Interests and Real Estate – Accounting.

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

1. The performance and risk profiles of the Public Employees' Retirement Fund and Affiliate Funds as of December 31<sup>st</sup>, 2016,
2. A review of CalPERS' divestment activities as of June 30, 2016 by Wilshire Associates Consulting,
3. The first reading of proposed revisions to the Total Fund Investment Policy,
4. An overview of the Corporate Governance Program's work plan for 2017, and
5. Recent developments regarding Assembly Bill 20 (Kalra).

**The Chair directed staff to:**

- Review opportunities to engage with the companies involved with the Dakota Access Pipeline and return to the Committee with a report on those options

**The Committee heard public comment on:**

- The Dakota Access Pipeline, and
- CalPERS' ESG strategy

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

1. ESG Asset Class Integration and
2. Global Governance Principles.

The next meeting of the Investment Committee is scheduled for March 13, 2017, in Sacramento, California.