

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
BOARD GOVERNANCE COMMITTEE

ROBERT F. CARLSON AUDITORIUM
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JAMES F. PETERS, CSR
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A P P E A R A N C E S

COMMITTEE MEMBERS:

Ms. Theresa Taylor, Chairperson

Ms. Priya Mathur, Vice Chairperson

Mr. Michael Bilbrey

Mr. Rob Feckner

Ms. Dana Hollinger

Mr. Henry Jones

Mr. Bill Slaton

BOARD MEMBERS:

Mr. John Chiang, represented by Mr. Frank Moore

Mr. Richard Gillihan, represented by Ms. Katie Hagen

Mr. Ron Lind

Ms. Betty Yee, represented by Mr. Alan Lofaso

STAFF:

Ms. Marcie Frost, Chief Executive Officer

Mr. Ted Eliopoulos, Chief Investment Officer

Mr. Doug Hoffner, Deputy Executive Officer

Mr. Matt Jacobs, General Counsel

Ms. Marlene Timberlake D'Adamo, Interim Chief Financial Officer

Ms. Kristen Garner, Committee Secretary

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1 P R O C E E D I N G S

2 CHAIRPERSON SLATON: Okay. I'd like to call the
3 Board Governance meeting to order.

4 There's no -- I guess there's no gavel. Again,
5 budget cuts, what can I say?

6 (Laughter.)

7 CHAIRPERSON SLATON: Okay. So we'll now do the
8 roll call, please.

9 COMMITTEE SECRETARY GARNER: Michael Bilbrey?

10 COMMITTEE MEMBER BILBREY: Here.

11 COMMITTEE SECRETARY GARNER: Rob Feckner?

12 COMMITTEE MEMBER FECKNER: Good afternoon.

13 COMMITTEE SECRETARY GARNER: Dana Hollinger?

14 COMMITTEE MEMBER HOLLINGER: Here.

15 COMMITTEE SECRETARY GARNER: Henry Jones?

16 COMMITTEE MEMBER JONES: Here.

17 COMMITTEE SECRETARY GARNER: Priya Mathur?

18 COMMITTEE MEMBER MATHUR: Here.

19 COMMITTEE SECRETARY GARNER: Bill Slaton?

20 CHAIRPERSON SLATON: Here.

21 COMMITTEE SECRETARY GARNER: Theresa Taylor?

22 COMMITTEE MEMBER TAYLOR: Here.

23 CHAIRPERSON SLATON: Okay. And let's see Frank
24 is here and Ron Lind is here and who else? Katie Hagen,
25 Alan Lofaso. So thanks for all -- all of you for joining.

1 So we'll move to election of the Board Governance
2 Committee Chair and Vice Chair. And for this, I'll turn
3 it over to Mr. Jones.

4 COMMITTEE MEMBER JONES: Okay. Nominations are
5 now open for election of the Chair for Board Governance
6 Committee.

7 Mrs. Hollinger.

8 COMMITTEE MEMBER HOLLINGER: Yeah. I'd like to
9 nominate Bill Slaton. I feel he's really served us so
10 well and really governed us through some tough waters. So
11 I want to put in the nomination for Bill Slaton as Chair.

12 COMMITTEE MEMBER JONES: Okay. Are there any
13 further nominations?

14 Yeah, Mrs. Mathur.

15 COMMITTEE MEMBER MATHUR: Thank you. I would
16 like to Nominate Ms. Taylor to serve as Chair of the
17 Committee.

18 COMMITTEE MEMBER JONES: Okay. So it's been
19 nominated -- Ms. Taylor has been nominated. And Mr.
20 Slaton has been nominated.

21 Are there any further nominations?

22 Are there any further nominations?

23 Are there any further nominations?

24 So hearing none -- no additional nominations, so
25 we will take a vote on these 2 candidates. And we'll do

1 like we did the last time, just start and go around and
2 say who you're for starting with Bill.

3 CHAIRPERSON SLATON: Oh, I think I'll vote for
4 myself.

5 COMMITTEE MEMBER JONES: Okay.

6 COMMITTEE MEMBER BILBREY: Ms. Taylor.

7 COMMITTEE MEMBER FECKNER: Taylor.

8 COMMITTEE MEMBER HOLLINGER: Slaton.

9 COMMITTEE MEMBER JONES: Slaton

10 COMMITTEE MEMBER MATHUR: Taylor

11 COMMITTEE MEMBER TAYLOR: Myself.

12 COMMITTEE MEMBER JONES: Okay. Ms. Taylor
13 congratulations. You're the new -- okay.

14 (Applause.)

15 CHAIRPERSON TAYLOR: So now, I'm going to turn
16 this over for the nomination for Vice Chair.

17 COMMITTEE MEMBER MATHUR: You run it.

18 COMMITTEE MEMBER SLATON: You move over here.

19 CHAIRPERSON TAYLOR: Okay.

20 COMMITTEE MEMBER MATHUR: Or she could stay here
21 too.

22 CHAIRPERSON TAYLOR: Yeah, we don't have the
23 screen.

24 COMMITTEE MEMBER SLATON: True.

25 CHAIRPERSON TAYLOR: So I'd like to take

1 nominations for Vice Chair?

2 So I've got Rob first.

3 COMMITTEE MEMBER FECKNER: I nominate Ms. Mathur.

4 CHAIRPERSON TAYLOR: Okay. I have a nomination
5 for Ms. Mathur for Vice Chair.

6 Any more nominations?

7 COMMITTEE MEMBER JONES: I nominate Ms.
8 Hollinger.

9 CHAIRPERSON TAYLOR: So we have Ms. Hollinger
10 nominated for Vice Chair and Ms. Mathur.

11 So I guess we'll do the same thing?

12 Any further nominations?

13 That's my third time, right?

14 (Laughter.)

15 CHAIRPERSON TAYLOR: Any further nominations?

16 All right. We're going to go around the room
17 starting with myself.

18 I'll vote for Mathur.

19 COMMITTEE MEMBER MATHUR: Mathur.

20 COMMITTEE MEMBER JONES: Hollinger.

21 COMMITTEE MEMBER HOLLINGER: Hollinger.

22 COMMITTEE MEMBER FECKNER: Mathur.

23 COMMITTEE MEMBER BILBREY: Mathur.

24 COMMITTEE MEMBER SLATON: Hollinger.

25 CHAIRPERSON TAYLOR: Okay. It looks like --

1 congratulations, Ms. Mathur, you are now Vice Chair.

2 All right. So moving right along. We are --
3 excuse me, let me get this a little closer because I'm
4 turning away the other way.

5 So I guess we are on the executive report.

6 GENERAL COUNSEL JACOBS: Yes, we are.

7 Good afternoon, Chair Taylor and Vice Chair
8 Mathur. And congratulations on your elections. I look
9 forward to working with both of you as we go forward with
10 the Board Governance Committee and everything that we're
11 trying to do with the Committee.

12 I don't have a lot to add to the agenda today. I
13 did want to report on Form 700 compliance. All Board
14 Members who were required to have their Form 700s filed by
15 March 1st are in compliance.

16 I did also want to suggest that Agenda Item 7,
17 which is the update on the Board Education Program be
18 moved to the Information Consent Agenda. That's just
19 something that you folks can decide upon, but it didn't
20 appear to me to be worthy of a separate presentation.

21 CHAIRPERSON TAYLOR: Okay.

22 GENERAL COUNSEL JACOBS: And then the other thing
23 I just wanted to report. We have our first 2 quarters
24 under our belt under the new travel reporting policy. And
25 the cumulative totals for those first 2 quarters are

1 \$80,000 in ex -- travel expenses for Board members;
2 \$460,000 in travel expenses for staff.

3 So that's my executive report.

4 CHAIRPERSON TAYLOR: All right. Thank you very
5 much, Mr. Jacobs.

6 We are moving on to consent item number 4,
7 approval of the December 20th, 2016 Board Governance
8 Committee meetings --

9 COMMITTEE MEMBER FECKNER: Move approval.

10 CHAIRPERSON TAYLOR: -- minutes -- meeting
11 minutes and the delegation.

12 VICE CHAIRPERSON MATHUR: Second.

13 CHAIRPERSON TAYLOR: All those in favor?

14 All those opposed?

15 Okay. It passes.

16 On top of that, Consent Items number 5, we didn't
17 move number 7 up into the consent items, right.

18 VICE CHAIRPERSON MATHUR: You can do it

19 CHAIRPERSON TAYLOR: So I'm moving 7, Update on
20 Board Education Program, up to Consent Item number 5 for
21 information -- this is informational consent items. So we
22 don't need to go any further.

23 And -- hold on. Action agenda items, Proposed
24 Revision to the Public Comment Form.

25 GENERAL COUNSEL JACOBS: Yes. This is Agenda

1 Item 6. The item covers a potential change to the public
2 comment form to give speakers an opportunity to indicate
3 on the form that they believe that they need more than the
4 3 minutes that has been allocated pursuant to the
5 regulation that the Board passed in December -- finally in
6 December.

7 Staff is agnostic on the matter, and so it's
8 really for the Committee, at this point, to discuss and
9 decide. We did propose some language that we believe
10 would accomplish the goal that was suggested by one of the
11 Board members -- or one of the Committee members. So
12 that's before you as Attachment 2.

13 CHAIRPERSON TAYLOR: Ms. Mathur.

14 VICE CHAIRPERSON MATHUR: Thank you.

15 I'm the one who made this recommendation, and I
16 think it was -- well, it was really in response to some
17 feedback we had received from some of our stakeholders.
18 And I do think it's important to at least give people --
19 give individuals the opportunity to express if they need
20 more time. It still would be at -- I think at the
21 discretion of the Chair.

22 I think it might be worth noting on the form that
23 they must -- they must submit the form in advance in order
24 to request additional time, because all speakers on that
25 item would have -- would be afforded the same amount of

1 time. So I think it's -- we should make that explicit in
2 the form.

3 CHAIRPERSON TAYLOR: Yeah, that's not explicit
4 right now, so can we --

5 GENERAL COUNSEL JACOBS: Sure.

6 CHAIRPERSON TAYLOR: Go ahead. I had I think
7 Rob, right, and then Henry.

8 VICE CHAIRPERSON MATHUR: You want to press your
9 mic, Rob.

10 COMMITTEE MEMBER FECKNER: I am -- for one, I'm
11 opposed to this -- this new part of the process. I think
12 that it -- I don't see any that's going to come up there
13 and say they don't want more time, first of all. I think
14 any -- everybody is going to request that, whether they
15 use it or not.

16 I think it was back in December, the Chair gave
17 latitude for up to 10 minutes. Nobody used more than 5.
18 So I think that we're setting ourselves up for a bigger
19 problem than we already have. And so just from my
20 opinion, I think that it's going a little too far down the
21 field, from where I'm comfortable in going.

22 CHAIRPERSON TAYLOR: Okay. Mr. Jones.

23 COMMITTEE MEMBER JONES: Yeah, I have the same
24 sentiment as Rob. I think it's -- it creates perhaps more
25 confusion than solving the problem.

1 CHAIRPERSON TAYLOR: So -- and I'm also going to
2 speak on this. In addition to that, I think that the
3 Chair of the Committee is free to award extra time, so --
4 for example, I think wasn't it last meeting we gave
5 everybody 5 minutes for Investment Committee, yeah. So I
6 agree, but -- do I take a vote. Is this a vote?

7 Anybody else?

8 I didn't see anybody else's hands.

9 Oh, Bill.

10 COMMITTEE MEMBER SLATON: I just say I agree with
11 President Feckner. I think you just -- you start to
12 create a problem for yourself by doing that. And we've --
13 we have a regulation that gives enough discretion to the
14 chair to adjust as needed.

15 VICE CHAIRPERSON MATHUR: I would like to speak
16 on that.

17 CHAIRPERSON TAYLOR: Go ahead.

18 VICE CHAIRPERSON MATHUR: So I hear all of the
19 points that are made by my fellow Committee members. And
20 I'm sensing the tenor of the Committee is not with me on
21 this. I think right now, if an individual wanted
22 additional time, they would have to speak directly to the
23 Chair. And not everyone would feel comfortable to do
24 that, or would have the relationship with the Chair to do
25 that. Whereas, having a form that is available to

1 everyone is more democratic.

2 And I don't think most people would use it. I
3 think most people would be respectful of the Board's time.
4 And I think we've seen that when we've allotted additional
5 time. But I do -- I do hear the opposition of the rest of
6 the Committee, so I guess I won't move it at this time.
7 But anyway.

8 CHAIRPERSON TAYLOR: All right. Thank you.

9 So it sounds like we're going to stick with the
10 original proposal. And that form is on Attachment 1
11 correct?

12 GENERAL COUNSEL JACOBS: Yes.

13 CHAIRPERSON TAYLOR: The existing form. Okay.

14 GENERAL COUNSEL JACOBS: Okay. So there's no
15 motion one way or the other on this one.

16 CHAIRPERSON TAYLOR: She did not make a motion.

17 GENERAL COUNSEL JACOBS: Okay.

18 CHAIRPERSON TAYLOR: All right. So --

19 GENERAL COUNSEL JACOBS: Moving on.

20 CHAIRPERSON TAYLOR: Go ahead.

21 GENERAL COUNSEL JACOBS: Moving on to Agenda Item
22 8. This item reflects an attempt by Mr. Slaton and my
23 staff to arrive at language that we thought reflected the
24 consensus from the December of 2016 meeting regarding a
25 policy on Board member representation on outside boards.

1 The proposed revisions are reflected in the red-lined form
2 of the Board Governance Committee -- excuse me, the Board
3 Governance Policy at page 21.

4 And I'll just read it for convenience sake. We
5 would add new section that says "Service on outside..." --
6 I guess we should put boards, "...Board members shall
7 obtain Board approval prior to accepting service on an
8 outside board related to CalPERS. Each Board member
9 should first confer with the Board President regarding the
10 proposed position. The request to serve on the outside
11 board will then be placed on the agenda for approval at
12 the Board's next regularly scheduled public meeting".

13 So that is the proposal.

14 CHAIRPERSON TAYLOR: So any -- I have -- I don't
15 know who raised their hands first. So I'm going to go
16 with Priya, and then Michael, and then Bill.

17 VICE CHAIRPERSON MATHUR: I think it's fair --
18 I'm fairly comfortable with the language. The only
19 thing -- my only question is whether an outside board is a
20 term of art, and whether it would be generally understood
21 what that means, or whether we should be a little bit more
22 explicit about what that means, so that -- you know,
23 define the term or say that, you know, on a board of
24 another organization, or something for -- anyway, that's
25 my question. I don't know, Matt, if it's --

1 GENERAL COUNSEL JACOBS: Well, I think as it --

2 VICE CHAIRPERSON MATHUR: -- a broadly understood
3 term already.

4 GENERAL COUNSEL JACOBS: As it currently reads,
5 the way I read it is anything outside of CalPERS.

6 VICE CHAIRPERSON MATHUR: Um-hmm.

7 GENERAL COUNSEL JACOBS: But if a Committee
8 prefers to be more specific, we can certainly come up with
9 some more language.

10 CHAIRPERSON TAYLOR: Rob.

11 COMMITTEE MEMBER FECKNER: You know, I agree with
12 where Ms. Mathur --

13 VICE CHAIRPERSON MATHUR: Mic.

14 CHAIRPERSON TAYLOR: Mic.

15 COMMITTEE MEMBER FECKNER: I agree where Ms.
16 Mathur is heading. But given that description by Mr.
17 Jacobs, what if say I was going to serve on the Muscular
18 Dystrophy Board. So I think we need to be clear that it
19 has to be something that's related to CalPERS, because we
20 can't -- we shouldn't be putting guidelines in place that
21 aren't something that's going to affect our tenure sitting
22 on this Board.

23 GENERAL COUNSEL JACOBS: Right, and those are the
24 next words.

25 COMMITTEE MEMBER FECKNER: Okay.

1 GENERAL COUNSEL JACOBS: "Outside board related
2 to CalPERS".

3 CHAIRPERSON TAYLOR: Okay. Michael.

4 COMMITTEE MEMBER BILBREY: My question, I know it
5 specifically says boards, what about working groups,
6 advisory committees, et cetera, does that apply to this as
7 well?

8 GENERAL COUNSEL JACOBS: You know, it's hard to
9 say in general. I think that if there's -- if -- I think
10 the way to think about this would be if, in your mind, it
11 raises a question, then you just run it by the Board
12 President. The Board President might say that's not -- we
13 don't -- you don't need my approval for that.

14 But without knowing, Mr. Bilbrey, specifically
15 what the situation is, it's kind of hard to improve on
16 that definition.

17 COMMITTEE MEMBER BILBREY: Okay.

18 CHAIRPERSON TAYLOR: Mr. Slaton.

19 COMMITTEE MEMBER SLATON: Yeah, I would --
20 actually, I would respectfully disagree with Matt in one
21 respect. I think that if it's an advisory board, to me
22 that's really no different than a board position. If you
23 are making -- assuming, they meet in public, and you are
24 representing CalPERS in the opinions that you express, to
25 me that's representing CalPERS, even though it may not be

1 a voting board position. It's an advisory board.

2 So I would encourage adding the language
3 including advisory boards, et cetera. But again, we have
4 the words that say "related to CalPERS". So I think maybe
5 that gets to the point. If you're going to represent
6 CalPERS, then whatever that role is, then we need to have
7 some process.

8 The second thing I would raise, which is not
9 included in this language is -- and I don't know if
10 we -- if the committee wants to wrestle with this issue or
11 not, but how long should people serve? You know, we go
12 through a process where on our boards that -- of the
13 companies we own. We have recommended terms for that. We
14 don't want someone being on a board for 20 years.

15 And so the question is, if it's good enough for
16 that, what should our process be here for how long an
17 individual Board member should serve on an outside board?

18 So right now we don't address that. And I think
19 that, in my opinion, we should find some way to address
20 that.

21 CHAIRPERSON TAYLOR: Mr. Jones.

22 COMMITTEE MEMBER JONES: Yeah. On that point,
23 perhaps, we can use the criteria that we use for corporate
24 boards, 12 years. And that may be something to consider
25 for us serving on outside boards, 12 years.

1 CHAIRPERSON TAYLOR: Ms. Mathur.

2 VICE CHAIRPERSON MATHUR: You know, I don't know
3 that we -- I know that we have 12 years in our -- now our
4 Governance and Sustainability Guidelines. I'm not sure
5 that we actual -- in practice, that everybody who serves
6 longer than 12 years should be off the Board. I think
7 it's more about the average tenure of the Board, how much
8 refreshment there is on a board. Because somebody could
9 be serving for 12 or 15 years and be adding a lot of
10 value, be offering institutional knowledge. Whereas,
11 somebody else could be sitting on 12 years, and be
12 completely captive to the CEO, and no longer independent
13 in any way. And so I guess I'm not so sure that having a
14 hard and fast limit is the best way to go.

15 COMMITTEE MEMBER SLATON: Well --

16 CHAIRPERSON TAYLOR: Go ahead, Bill.

17 COMMITTEE MEMBER SLATON: -- maybe it would be
18 appropriate that it be a guidelines, so that there's --
19 we're actually stating that we have in mind that you don't
20 serve on boards in perpetuity. So maybe a guideline would
21 be a little softer where -- and maybe the only way to
22 enforce a guideline is really for the President or someone
23 else is to review it periodically, what the length of
24 service has been, and whether it needs to change.

25 CHAIRPERSON TAYLOR: Can I ask? Mr. Jacobs, I

1 was wondering, do we have the ability legally to determine
2 how long somebody can serve on an outside board?

3 GENERAL COUNSEL JACOBS: Well, insofar as you're
4 representing CalPERS's interests on that outside board,
5 I'd have to say yes.

6 CHAIRPERSON TAYLOR: Okay. Okay. I just wanted
7 to make sure that was the case.

8 And then if we were to make it a guideline, it
9 wouldn't go in this language, correct?

10 GENERAL COUNSEL JACOBS: Well, I'd have to add
11 something.

12 CHAIRPERSON TAYLOR: Okay.

13 GENERAL COUNSEL JACOBS: I mean -- yeah.

14 CHAIRPERSON TAYLOR: I'm sorry. Ron.

15 BOARD MEMBER LIND: I was just going to suggest
16 some committee might consider -- you know, since the Board
17 has to approve somebody serving on the outside board,
18 maybe it comes up for review every 3 years, or 4 years, or
19 2 years. You know, just to again have the Board approve
20 you're continuing on the outside board.

21 CHAIRPERSON TAYLOR: Rather than putting it in
22 the language Ron, is that what you mean, or putting it in
23 the language and having that part of the language?

24 BOARD MEMBER LIND: However it best works. It
25 probably should be in the language. If you're going to --

1 if the Board is going to approve somebody serving, then
2 the Board should also -- it also should be in the language
3 that the Board looks at it every whatever the time period
4 is.

5 CHAIRPERSON TAYLOR: Okay. Rob.

6 COMMITTEE MEMBER FECKNER: Yes. Thank you. And
7 since this is just an informational item. It will come
8 back later after being massaged. One thing I want to
9 throw out there is that I have concern about an outside
10 agency denoting who's going to sit on that board. So I
11 think if an organization is looking for a Board member,
12 they should approach CalPERS and say we would like a Board
13 member, and then this Board decides who it's going to be,
14 not somebody else denoting who it was.

15 So we would say, geez, you know, PPI has an
16 opening, who's interested? And then that group of people
17 talks about it and we pick one of those folks that's
18 interested, not have the outside agency decide who they're
19 going to have.

20 CHAIRPERSON TAYLOR: Okay. Alan.

21 ACTING BOARD MEMBER LOFASO: Thanks, Madam Chair.
22 Apropos to this represent, I thought the tenor of the
23 discussion in December was quote related to CalPERS,
24 generally speaking, meant that CalPERS was supporting the
25 travel costs. Is that what related to CalPERS generally

1 means in this context?

2 GENERAL COUNSEL JACOBS: I seem to recall --

3 CHAIRPERSON TAYLOR: I think it means represent
4 CalPERS on a board, right?

5 GENERAL COUNSEL JACOBS: Yeah, but I think that
6 Ms. Lofaso's definition or, what would you call it, a way
7 to discern what is in and what is out is a good one. And
8 I have some vague recollection that we discussed it.

9 CHAIRPERSON TAYLOR: So say that again, Alan?

10 GENERAL COUNSEL JACOBS: So the basic idea, if I
11 could get this correct --

12 ACTING BOARD MEMBER LOFASO: Please.

13 GENERAL COUNSEL JACOBS: -- is that the way to
14 define related to CalPERS is would it be something that
15 CalPERS would pay for the Board member's travel expenses
16 for.

17 CHAIRPERSON TAYLOR: Okay. And we can put that
18 in the language.

19 Dana.

20 COMMITTEE MEMBER HOLLINGER: Oh, all I was going
21 to say is I think on some of these outside boards
22 different ones of us have different expertise. We come
23 from different backgrounds. Also, Ms. Feckner, right now,
24 you know, a lot of -- a lot of these boards sometimes are
25 supporting gender diversity. So it may eliminate some of

1 our members, because there's different factors that I
2 would be reluctant to put a general guideline, because
3 there are sometime different factors in each of our
4 backgrounds that would make some of us a better fit on
5 certain boards than others.

6 CHAIRPERSON TAYLOR: Okay. Mr. Slaton, and
7 then Frank.

8 COMMITTEE MEMBER SLATON: Yeah. I think -- you
9 know, I think, Dana, you've raised an interesting point.
10 But I think if that -- if that holds up, then there's
11 wisdom of the group here that that comes out, and the
12 person who has that particular expertise would probably
13 get that permission from CalPERS to go ahead and join it,
14 because the rationale would be there. So I don't see that
15 as being a blocking factor for doing a Board approval for
16 it.

17 CHAIRPERSON TAYLOR: And I've got Frank wanted to
18 make a comment.

19 ACTING BOARD MEMBER MOORE: What's -- what is the
20 purpose of the language that requires the Board member to
21 first confer with the Board president? And does the Board
22 President have the ability to not forward the nomination
23 to the full Board.

24 The answer is no?

25 COMMITTEE MEMBER FECKNER: If you're asking me, I

1 would hope not. I think the Board President would just
2 give counsel and advice, because maybe it doesn't fit.
3 And you'd have that discussion, then they would choose not
4 to move it forward. But if they choose to move it
5 forward, I would hope the President would automatically
6 send it to the Board.

7 ACTING BOARD MEMBER MOORE: That's my
8 understanding. That's what I wanted to know.

9 Thank you.

10 CHAIRPERSON TAYLOR: Henry.

11 COMMITTEE MEMBER JONES: Yeah. So what happens
12 if the organization requests a specific Board member to
13 serve on their Board, and it comes through the process and
14 it's declined. So that organization may suggest, well, we
15 wanted that person on our board. And if you're not going
16 to be able to serve, then we'll go to another pension
17 fund? Because I know -- and the reason I say that is
18 because I'm the Board of PPI, and that's -- we're looking
19 for talent from different sizes of funds, large funds,
20 small funds, CIOs and CEOs, et cetera. And so when an
21 opening comes, we go to look for that kind of person on
22 that -- from that particular fund.

23 So it creates a potential problem if then the
24 Board -- our Board says no, we're going to have someone
25 else serve in that capacity. So just raising it.

1 CHAIRPERSON TAYLOR: Mr. Slaton.

2 COMMITTEE MEMBER SLATON: I would say it's the
3 same issue. If that's the rationale, then that's part of
4 our decision process as to how to fill it.

5 CHAIRPERSON TAYLOR: Ms. Mathur.

6 VICE CHAIRPERSON MATHUR: I agree with Henry.
7 And actually, I think it's addressed already by the
8 Board's approval authority. The Board could just say, no,
9 we don't want that person to serve in that capacity, and
10 so we're not going to support that. And then if it's
11 something like CII, for example, where we get to -- we can
12 nominate a candidate, then we nominate a candidate --
13 somebody else.

14 But if it's something like PPI, which is by
15 invitation, it's a -- it's a different type of board, so I
16 think -- that's -- I guess that's my view.

17 CHAIRPERSON TAYLOR: Mr. Feckner.

18 COMMITTEE MEMBER FECKNER: Yeah, and I agree with
19 that it's by invitation, but it's by invitation to
20 CalPERS. The wouldn't be invited if you weren't sitting
21 on the CalPERS Board, so CalPERS should be making the
22 decision, not the individual. Just my opinion.

23 CHAIRPERSON TAYLOR: Who was next?

24 Oh, I'm sorry. Katie.

25 ACTING BOARD MEMBER HAGEN: I'm just trying to --

1 in light of this discussion, I was trying to figure out
2 how if we were to go down that path of having a
3 board -- the Board decide who sits on various board
4 invitations, what would be the process for that? I mean,
5 would it be in open session? I'm just having a hard time
6 understanding how you would be selected.

7 CHAIRPERSON TAYLOR: Good question.

8 GENERAL COUNSEL JACOBS: I think the process
9 would be, as currently written, would be that, let's say,
10 Ms. Mathur asks to be on a new board, she would go to Mr.
11 Feckner. They'd have their conversation, and then it
12 would go onto the agenda, as presumably a consent item.
13 But if board members thought that it should -- it was
14 debatable or controversial, that they could pull it off
15 consent and have a discussion about it and take a vote.

16 CHAIRPERSON TAYLOR: And I just had one other
17 question as well, myself. What -- what prompted this
18 language change? What I'm -- was there a problem or is it
19 just because we think it should come to the Board before
20 anybody accepts a position? Is that just what prompted
21 the discussion?

22 Rob.

23 COMMITTEE MEMBER FECKNER: I'll bring it up. And
24 Bill and I've talked about this before. We get a lot of
25 requests to come, and we're spending CalPERS Trust Fund

1 money on these positions, that if there's no
2 follow-through -- I mean, we need to have some kind of
3 guidance versus somebody just saying, oh, I want to do
4 this. I want to do this. I want to do this.

5 The Board needs to be able to have that
6 rationalization of if we're going to make this
7 expenditure, then we are going to authorize this position.
8 Up until now, we haven't had that. It's just been kind of
9 at-will. And I think we need to have a structure.

10 CHAIRPERSON TAYLOR: Okay. And anybody else?

11 Bill, did you have your hand up a minute ago?

12 COMMITTEE MEMBER SLATON: Well, I was just going
13 to reiterate the same thing, that we -- it was kind of ad
14 hoc. And there is no process associated with it. So just
15 trying to be consistent and have a process, so everybody
16 understands what the rules are. And, you know, we live
17 with it. It's not designed to -- really to up-end what
18 has been happening. It's just to put some form and
19 structure around it.

20 CHAIRPERSON TAYLOR: Okay. Ms. Mathur.

21 VICE CHAIRPERSON MATHUR: Well, I just want to
22 say I think it is a good idea to have a process. And that
23 way everyone knows exactly what they need to do. And I
24 actually think the process as outlined here is simple and
25 effective, and accomplishes, I think, pretty much

1 everything that people have raised.

2 Now, with respect -- with respect to tenure on a
3 particular board, usually the boards themselves have
4 tenure requirements or terms. And so each time an
5 individual would have to come and get reauthorization.
6 For example, I'll just use the PRI board has the maximum
7 of the 3-year terms. So each time I would have to come
8 and get approval from the CalPERS Board to get -- to be
9 reauthorized to sit on the Board.

10 So that is sort of a natural way I think. If we
11 set a time, 4 years might be off the timing of that
12 organization. It would be awkward to be 1 year into your
13 second term and be re -- have to reconsider whether you're
14 eligible to sit.

15 COMMITTEE MEMBER SLATON: So are you saying maybe
16 the word should say that before serving any additional --
17 an additional term, you would have to come back for
18 approval by the Board?

19 VICE CHAIRPERSON MATHUR: I guess I thought that
20 was implicit in this.

21 CHAIRPERSON TAYLOR: Yeah, I did too.

22 VICE CHAIRPERSON MATHUR: Maybe this is only
23 talking about the outset, but it does seem that for -- it
24 seems appropriate to me that for continued service you
25 would -- for each subsequent term, you would --

1 COMMITTEE MEMBER SLATON: Well, then we should
2 put that into words, so it's not just, you know, we think
3 that's the case, because the words aren't there right now.

4 CHAIRPERSON TAYLOR: Well --

5 VICE CHAIRPERSON MATHUR: I mean is accepting
6 service -- I guess I saw -- I though accepting service as
7 meaning for each -- each term, but --

8 COMMITTEE MEMBER SLATON: Right, but you wouldn't
9 have a problem with specific wording as long as it's tied
10 to the organizational term --

11 VICE CHAIRPERSON MATHUR: Absolutely.

12 COMMITTEE MEMBER SLATON: -- not to us.

13 So I'd suggest maybe the Chair could direct Matt
14 to do that.

15 CHAIRPERSON TAYLOR: So it sounds to me like --
16 first of all, there were other suggestions for language
17 change. But this specific thing is a reauthorization, if
18 we could add that in, for every term that you update on
19 the same board. So like Priya said, PRI for her is three
20 3-year terms. So when she comes up for her next
21 third-year term, she would have to have it authorized, but
22 I guess what everybody is saying is it probably should say
23 that in here.

24 Right now, she thought it was implicit, but I
25 don't think it is either. It just says that we have to

1 get authorization. It doesn't say for reauthorization.

2 GENERAL COUNSEL JACOBS: Sure. Yeah, we can
3 wordsmith that.

4 CHAIRPERSON TAYLOR: Okay. Was there --

5 GENERAL COUNSEL JACOBS: There's some other
6 suggestions though that it's unclear to me whether it was
7 the consensus of the Committee or not. So let me just go
8 through them.

9 CHAIRPERSON TAYLOR: Sure.

10 GENERAL COUNSEL JACOBS: Add the reference to
11 Board travel or the request that CalPERS reimburse the
12 Board travel as a criterion for the -- for whether it's a
13 board that requires this approval?

14 CHAIRPERSON TAYLOR: Well, I think we said no on
15 that, because it says on an outside board related to
16 CalPERS. Am I correct, everyone?

17 It already says that in the verbiage.

18 COMMITTEE MEMBER SLATON: Yeah, there may be a
19 board -- there may be a board in your own town where
20 there's no travel expense involved.

21 CHAIRPERSON TAYLOR: Right.

22 COMMITTEE MEMBER SLATON: So the same thing would
23 apply.

24 GENERAL COUNSEL JACOBS: Okay. So not that one.

25 CHAIRPERSON TAYLOR: Okay.

1 And Michael. Mr. Bilbrey

2 COMMITTEE MEMBER BILBREY: Just for an example, I
3 sit on a work group of -- that are global, so we -- most
4 of our is all calls. We might meet every other year or
5 try to, but 15 different countries, we obviously can't
6 meet regularly, so they do phone calls like quarterly or
7 so.

8 GENERAL COUNSEL JACOBS: Okay.

9 CHAIRPERSON TAYLOR: Ms. Mathur.

10 VICE CHAIRPERSON MATHUR: Yeah. So I guess the
11 question is whether you're representing CalPERS' interests
12 or whether -- or whether it's just about the money? And
13 I -- so I guess that's -- that's the real question.
14 That's sort of what you're getting at is -- I don't
15 know --

16 CHAIRPERSON TAYLOR: So I don't know, what does
17 that mean? Do you want it on there to be very specific?

18 VICE CHAIRPERSON MATHUR: I mean, we could go
19 there -- we could go there in terms of speaking -- I mean,
20 speaking engagements have to be approved too, I suppose.
21 So that -- so maybe that would be more consistent if
22 you're sitting on a committee, even if it's by phone or
23 virtual, then you --

24 CHAIRPERSON TAYLOR: And then you go to a
25 speaking engagement.

1 VICE CHAIRPERSON MATHUR: -- and you're
2 representing CalPERS interests.

3 COMMITTEE MEMBER SLATON: I think it's
4 representing CalPERS interests. I think that's the
5 driver, regardless of the money.

6 VICE CHAIRPERSON MATHUR: I agree. I don't think
7 it's -- I mean, the money is important, but it's less.

8 CHAIRPERSON TAYLOR: So we're still staying with
9 the same language then, is that what we're saying, serve
10 on an outside board related to CalPERS?

11 COMMITTEE MEMBER HOLLINGER: Yes.

12 CHAIRPERSON TAYLOR: Okay. Next.

13 GENERAL COUNSEL JACOBS: Okay. Let's see what
14 else I've got. Are we -- did we want to adopt the
15 addition of including advisory boards?

16 COMMITTEE MEMBER FECKNER: (Nods head.)

17 CHAIRPERSON TAYLOR: I think everybody greed on
18 that one.

19 GENERAL COUNSEL JACOBS: Okay. And then
20 something about a -- I know we've addressed the -- every
21 time that you get re-upped, you go through the process,
22 but did we want to say thinking about the term limit, or
23 term limit principle?

24 CHAIRPERSON TAYLOR: I think we didn't come to an
25 agreement on that, so I'm going to say no.

1 GENERAL COUNSEL JACOBS: Okay.

2 CHAIRPERSON TAYLOR: I'm seeing shaking heads, so
3 no.

4 GENERAL COUNSEL JACOBS: Okay. And this may be
5 unnecessary in light of what we just discussed with
6 respect to re-upping every term, but there was some
7 comment, I think, about the Board reviewing all of the
8 assignments, or all of the committee-ships, memberships
9 every 3 or 4 years.

10 CHAIRPERSON TAYLOR: No, because we --

11 GENERAL COUNSEL JACOBS: That was addressed by
12 the --

13 CHAIRPERSON TAYLOR: Yeah.

14 GENERAL COUNSEL JACOBS: -- the -- that every --
15 every new term gets reviewed.

16 CHAIRPERSON TAYLOR: Right.

17 GENERAL COUNSEL JACOBS: Okay. So I think I have
18 enough.

19 CHAIRPERSON TAYLOR: I think Michael -- Mr.
20 Bilbrey.

21 COMMITTEE MEMBER BILBREY: Although you may want
22 to say -- because some of them may not have term limits,
23 or whatever, so you may want to say either on their --
24 when they're -- if there's a renewal for a board or every
25 3 years, if there's no --

1 GENERAL COUNSEL JACOBS: I'm sorry, Michael

2 COMMITTEE MEMBER BILBREY: So I was saying not
3 every group may have a renewal period --

4 GENERAL COUNSEL JACOBS: Right.

5 COMMITTEE MEMBER BILBREY: -- so you may want to
6 put language that says either on renewal or every 3 years
7 by the Board or something like that.

8 GENERAL COUNSEL JACOBS: Does that sound good?

9 COMMITTEE MEMBER HOLLINGER: Yeah.

10 CHAIRPERSON TAYLOR: Yeah.

11 GENERAL COUNSEL JACOBS: Okay. All right. Well,
12 I think I have enough --

13 CHAIRPERSON TAYLOR: Was that everything?

14 GENERAL COUNSEL JACOBS: -- to redraft. So what
15 I would suggest is that we'll put it back on next month as
16 a -- an informational item or a consent item. And if
17 there's still some discussion that needs to be had with
18 respect to the wording, that we'll pull it off and discuss
19 it. How does that sound?

20 CHAIRPERSON TAYLOR: Perfect. Thank you.

21 GENERAL COUNSEL JACOBS: Okay. Good.

22 CHAIRPERSON TAYLOR: All right. We're moving on
23 to number 9, Responsibility for Creating and Disbanding
24 Committees, standing, ad hoc, and subcommittees.

25 GENERAL COUNSEL JACOBS: Yeah. This arises from

1 the fact that we noticed -- Mr. Slaton noticed quite
2 awhile ago that the Board Governance Committee delegation
3 reads that the -- that "The Board Governance Committee is
4 authorized to quote approve Board/Committee roles,
5 including creating and disbanding standing and ad hoc
6 committees", which raises the question of whether that's
7 where it should be with the -- with this Committee, or
8 whether that responsibility should really be with the
9 Board.

10 And then there's another question about what
11 about subcommittees, should those -- should
12 responsibilities for creating and disbanding those also be
13 with the Board or perhaps with the Committee to which the
14 subcommittee would report? So I think that's how we got
15 here, and that's open for discussion.

16 CHAIRPERSON TAYLOR: Yeah. Yes, Henry.

17 COMMITTEE MEMBER JONES: Yeah, on the
18 subcommittees, I would suggest that it's the Committee
19 that authorizes the subcommittee with the concurrence of
20 the President.

21 CHAIRPERSON TAYLOR: Anybody else on that?
22 Mr. Slaton.

23 COMMITTEE MEMBER SLATON: I would take a just
24 slightly different tact. I think it does -- I think the
25 first pass should be the Committee of interest, but then I

1 think it should be like anything else, subject to approval
2 of the Board. Now, you can get into the Investment
3 Committee, which is a Committee of the whole. And maybe
4 in that particular case, you don't need approval of the
5 Board. But I think in other Committees, if you're going
6 to form a subcommittee, I think ultimately it should, like
7 any other business conducted by that Committee, come to
8 the full Board.

9 COMMITTEE MEMBER JONES: I'm good with that.

10 CHAIRPERSON TAYLOR: Okay. That sounds like
11 everybody agrees to that. Nodding heads.

12 GENERAL COUNSEL JACOBS: Okay.

13 CHAIRPERSON TAYLOR: And then the other question
14 which was?

15 GENERAL COUNSEL JACOBS: Whether it should reside
16 with the --

17 CHAIRPERSON TAYLOR: With the --

18 GENERAL COUNSEL JACOBS: -- Board Governance
19 Committee or with the full Board, in the first instance.

20 VICE CHAIRPERSON MATHUR: Full Board.

21 CHAIRPERSON TAYLOR: Full Board. That was quick
22 and easy. There you go.

23 GENERAL COUNSEL JACOBS: All right. All right.

24 CHAIRPERSON TAYLOR: No facilitation of
25 discussion necessary.

1 (Laughter.)

2 CHAIRPERSON TAYLOR: So you're going to go back
3 and --

4 GENERAL COUNSEL JACOBS: Yes, and I'll --

5 CHAIRPERSON TAYLOR: -- change that language?

6 GENERAL COUNSEL JACOBS: And I'll go through
7 that -- the same process that I just suggested with
8 respect to Agenda Item 8. We'll see if we can get
9 agreement on it. If we can't, we'll pull it off and
10 discuss it.

11 CHAIRPERSON TAYLOR: Okay.

12 GENERAL COUNSEL JACOBS: And then Agenda Item 10,
13 I am going to ask Marlene Timberlake D'Adamo to come on up
14 and take over for this one.

15 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE
16 D'ADAMO: I'm up.

17 GENERAL COUNSEL JACOBS: Oh, there you are. All
18 right. Very good. I didn't see you there.

19 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE
20 D'ADAMO: I snuck up while you weren't looking.

21 Good afternoon, Madam Chair, Madam Vice Chair,
22 and members of the Committee, and Board. Marlene
23 Timberlake D'Adamo, CalPERS team member. I am the Chief
24 Compliance Officer at CalPERS. And this item comes to you
25 as a result of the discussion that ensued last month at

1 the Finance and Administration Committee where we were
2 talking about the delegation.

3 And there was a pretty detailed and lengthy
4 conversation around policies versus procedures, because as
5 part of the request to approve the delegation, we had
6 requested the rescission of a policy, and adding some
7 items to the Board Governance Policy. And there was a lot
8 of things that were going on, and people had a lot of --
9 members had a lot of questions around the nuances and
10 distinctions between policies and procedures.

11 In your materials, there's actually 2
12 attachments. I know the screens aren't turned on right
13 now, but the attachments themselves are really the
14 framework that we use in compliance to help the
15 organization maintain consistency with respect to our
16 governance.

17 And so the first attachment, which is the
18 pyramid, really talks about it's a pyramid, and it's a
19 hierarchy. And at the very top are the laws, the
20 regulations, and the professional standards that we use to
21 make sure that we're doing things in the way that they're
22 supposed to be done. And that's the what, essentially, if
23 you will.

24 After laws and regulations and professional
25 standards are really the delegations. And so as we talked

1 last month about delegations, the delegations really
2 present the authority. So the delegations are typically
3 for the committees or for individuals who have certain
4 titles would say what they are required to do, and what
5 they have the authority to do.

6 And delegations are generally pretty broad.
7 They're a very high level. They're not terribly specific
8 in terms of the details.

9 The next item is where we get into policies. And
10 we have a couple of different types of policies. We have
11 Board policies and we have internal policies. Policies
12 are really the what. Policies are what you must do or
13 what you must not do. They are not meant to be very
14 technical either, but they're really more for setting a
15 standard or a frame of reference in terms of what needs to
16 be done.

17 Procedures, essentially, are the how. Procedures
18 tell you how you do something. They can be very
19 operational in nature, and they can be simply how to
20 perform a different function. They're used within the
21 program areas, and they're really meant to say step by
22 step how you do something.

23 And so one of the things that we were trying to
24 do last month with the delegation is really to separate in
25 that one policy that we brought forward the procedure from

1 the policy, because in that particular policy, it actually
2 contained a procedure. And where we can, we really like
3 to separate those items, because sometimes they have
4 different audiences, sometimes they speak at different
5 levels. So again, the policy tends to be higher level.
6 The procedure tends to be more detailed.

7 And so this pyramid -- and what we're doing --
8 and I neglected to say this at the outset, but really
9 the -- what we're trying to do with this pyramid, and with
10 the way that we're doing the consistency is really to
11 establish boundaries and guidelines, it clarifies roles
12 and responsibilities, and it supports a strong operations
13 management practice.

14 And so those are really the goals and the
15 framework that we're trying develop -- in trying -- in
16 developing as it relates to how we use policies,
17 procedures, where they intersect, and how people are held
18 accountable for them really.

19 The second attachment is -- it's really I look at
20 sort of how those items are integrated. And so the first
21 2 boxes, the laws and regs and policies, are again telling
22 you the standards that you're supposed to use. The
23 procedures and the monitoring and testing is really how
24 you measure whether or not the team is doing the things
25 that the Board wants it to do.

1 And then the last 2 boxes, the reporting and the
2 risk assessment, is really how we report back to you
3 whether or not we're meeting those standards or those
4 goals that you've set for us in the policies that you've
5 determined.

6 So, for us, we're trying to build a framework
7 that really is very clear about who's responsible to do
8 what and why. And so for us, policies and procedures are
9 very different. They serve different purposes, and they
10 really are meant to work hand in hand in terms of how to
11 get functional items done or functional processes done.

12 So, at this point, I guess I'll stop and see if
13 anybody has any questions.

14 CHAIRPERSON TAYLOR: Thank you for the
15 explanation.

16 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE
17 D'ADAMO: Sure.

18 CHAIRPERSON TAYLOR: Anybody?
19 Nice job.

20 COMMITTEE MEMBER FECKNER: Cleared it up.

21 CHAIRPERSON TAYLOR: Thank you. Thank you.
22 (Laughter.)

23 INTERIM CHIEF FINANCIAL OFFICER TIMBERLAKE
24 D'ADAMO: Thank you.

25 CHAIRPERSON TAYLOR: This is an information item

1 only, yeah.

2 So summary of Committee direction. I think Mr.
3 Jacobs already kind of got that for us, didn't you?

4 GENERAL COUNSEL JACOBS: Yeah, I'll come back
5 with the language that we discussed with respect to Agenda
6 Items 8 and 9.

7 CHAIRPERSON TAYLOR: Perfect. Thank you very
8 much.

9 And then anybody, public comment?

10 No, it doesn't look like it. Well, it looks like
11 the Board Governance Committee is adjourned.

12 (Thereupon California Public Employees'
13 Retirement System, Board Governance Committee
14 meeting adjourned at 2:59 p.m.)

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C E R T I F I C A T E O F R E P O R T E R

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration, Board Governance Committee meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California, and was thereafter transcribed, under my direction, by computer-assisted transcription;

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 17th day of March, 2017.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
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