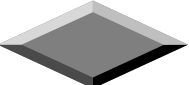


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**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
MINUTES OF MEETING  
Wednesday, March 15, 2017**

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

The meeting was called to order at approximately 10:30 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 provided comments on the annual State of the System assessment. President Feckner also thanked everyone who attended the CalPERS Night at the Kings Game and acknowledged Sunshine Week and the importance of open government and transparency.

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

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

Ms. Frost reported on the following:

- The East San Gabriel JPA,
- The Pensionable Compensation Regulation,
- An update on the Chief Health Director and Chief Financial Officer candidate search,
- The Diversity Forum,
- The Pacific Pension & Investment Institute's Winter Roundtable,

- And our annual Achieving Performance Excellence (APEX) program.

b. Chief Investment Officer Report

Wylie Tollette, Chief Operating Investment Officer, reported on the portfolio:

As of January 31, 2017, the total fund performance for the fiscal year-to-date is 5.4 percent. The three-year return of the total fund is 5.7 percent and the five-year return is at 8.7 percent. The ten-year return is at 4.7 percent and the 20-year return of the total fund is 6.8 percent. All asset allocations are within their policy ranges. The total fund assets are valued at \$306.7 billion.

Mr. Tollette introduced Clint Stevenson, Investment Director over the Manager Engagement Program, to the Board.

## **AGENDA ITEM 5 – CONSENT ITEMS**

### **Action Consent Items:**

- a. Approval of February 15, 2017 Board of Administration Meeting Minutes
- b. Board Travel Approvals

On **MOTION** by JJ Jelincic, **SECONDED** by Theresa Taylor 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 April 19, 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, March 13, 2017.

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

The next meeting of the Investment Committee is scheduled for April 17, 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, March 14, 2017.

On **MOTION** by Committee and **CARRIED**, with JJ Jelincic voting no, the Board approved staff's recommendation to pursue the proposed regulation clarifying CalPERS' interpretation of what is considered pensionable compensation for "new members" hired on, or after, January 1, 2013. A revised version of the regulations was provided as Attachment 1. (PHBC Item 5)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed 115<sup>th</sup> Congress Federal Health Care Priorities for the 2017-18 congressional session. (PHBC Item 6)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed 115<sup>th</sup> Congress Federal Retirement Security Priorities for the 2017-2018 congressional session. (PHBC Item 7)

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

The next meeting of the Pension and Health Benefits Committee is scheduled for April 18, 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, March 14 and 15, 2017 in Sacramento, California.

On **MOTION** by Committee and **CARRIED**, the Board approved staff recommendation to terminate the East San Gabriel Valley Human Services Consortium contract with the California Public Employees' Retirement System. Reductions in retiree benefits be adopted as staff has recommended effective July 1, and that the staff has been instructed to engage with the four member organizations of the Consortium to attempt to collect the past due amount. And if that were to take effect, staff would bring back to the Finance and Administration Committee a payment schedule reflecting those payments. (FAC Item 5a)

Additional information may be found in the March 14 and 15, 2017 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for April 18, 2017 in Sacramento, California.

d. Performance, Compensation and Talent Management Committee

The Committee did not meet.

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

The Committee did not meet.

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

f. Board Governance Committee

Theresa Taylor, Chair, Board Governance Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, March 14, 2017 in Sacramento, California.

The Committee elected Theresa Taylor as Chair, and Priya Mathur as Vice Chair of the Committee.

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

The next meeting of the Board Governance Committee is scheduled for April 18, 2017 in Sacramento.

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

On **MOTION** by Henry Jones and **SECONDED** by Priya Mathur, and **CARRIED**, the Board adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8a through 8s, except for Agenda Items 8f and 8j, which have been withdrawn, with minor modifications to Agenda Items 8b and 8c, and 8i and 8n, as argued by staff.

## **AGENDA ITEM 9 – PETITION FOR RECONSIDERATION**

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

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

On **MOTION** by Henry Jones and **SECONDED** by Theresa Taylor, with one abstention by Ron Lind, the Board moved to adopt the Full Board hearing final decision at Agenda Items 10a and 10b in the appeals of Sheldon Scarber and Paul Mast as the Board's final decision.

The Board and Chirag Shah, the Board's independent counsel, discussed the Paul Mast decision.

On **SUBSTITUTE MOTION** by Priya Mathur, and **SECONDED** by Richard Costigan, with one abstention by Ron Lind, and **DEFEATED**, the Board declined to adopt the proposed substitute motion to amend the Paul Mast decision to uphold the terms of the settlement agreement until the time the Standiforth decision became unenforceable.

Following a brief discussion on the Sheldon Scarber decision, the Board decided to separate Agenda Items 10a and 10b into separate motions.

On **MOTION** by Henry Jones and **SECONDED** by Theresa Taylor, and **CARRIED**, with one abstention by Ron Lind, the Board adopted the Full Board hearing final decision at Agenda Item 10a in the appeal of Sheldon Scarber as the Board’s final decision. (BOA Item 10a)

On **MOTION** by Henry Jones and **SECONDED** by Theresa Taylor, and **CARRIED**, with one abstention by Ron Lind, the Board adopted the Full Board hearing final decision at Agenda Item 10b in the appeal of Paul Mast as the Board’s final decision. (BOA Item 10b)

**AGENDA ITEM 11 – FIDUCIARY COUNSEL INTERVIEWS**

Mr. Jacobs presented the item and provided the Board with an overview of the procurement process. The Board conducted interviews in alphabetical order with Nossaman LLP going first and Seyfarth Shaw LLP second.

Following the interviews the Board discussed the merits of each firm.

On **MOTION** by Bill Slaton and **SECONDED** by Richard Gillihan, and **CARRIED** with a roll call vote, the Board approved to engage in contract negotiations with Nossaman LLP to serve as fiduciary counsel to the Board.

<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	
Karen Green-Ross for Betty Yee	x	
Frank Moore for John Chiang	x	
Michael Bilbrey		x
Richard Costigan	x	
Richard Gillihan	x	
Dana Hollinger	x	
Henry Jones	x	
Rob Feckner		

President Feckner did not participate in the vote.

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

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

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

The Board directed the team to include updates on Legislative bills they have taken a position on in other states. Mr. Jelincic asked Ms. Frost to provide him with a copy of the bill the Board took a position on in the State of Texas.

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

Neal Johnson, representing SEIU Local 1000 thanked the Board and Mr. Hoffner for pushing the Legislature to pass SB 28 and SB 48, which ratified State employee bargaining contracts, including one by SEIU.

The public meeting adjourned at approximately – 2:12 p.m.

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MARCIE FROST  
Chief Executive Officer



# Board of Administration Agenda Item 5b

March 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>
Ron Lind	5/2/17-5/8/17	Melbourne, Australia	Speak at ACSI Annual Conference
JJ Jelincic	6/11/17-6/14/17	Boston, MA	TLF Retirement Security National Convening

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

**ROB FECKNER, President**  
Board of Administration

**March 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 March 13, 2017.

**The Committee approved the following:**

- AGENDA ITEM 5a  
To recommend, for consideration by the Board of Administration, that the current Investment Committee delegation remain in place with no changes;
- AGENDA ITEM 6a  
To approve the proposed 115th Congress Federal Investment Policy Priorities for the 2017-18 congressional session, with modifications; and
- AGENDA ITEM 7a  
To accept the resignation of Pension Consulting Alliance, LLC as the Private Equity (PE) Board Investment Consultant effective March 16, 2017; to authorize staff to contract with Meketa Investment Group, Inc. to assume the responsibilities of the PE Board Consultant effective March 16, 2017, for the remainder of the existing contract term; and to authorize staff to continue utilizing Meketa to complete existing work currently in progress for the Real Assets team, anticipated to be complete on or before June 30, 2017.

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

- The framework for integrating ESG across the asset classes and
- The annual review of the Global Governance Principles, with a report on engagement activities undertaken on the Dakota Access Pipeline.

**The Chair directed staff to do the following:**

- Revise the Federal Investment Priorities to reflect that CalPERS is not bound by the noted priorities, that we support reasonable Dodd-Frank reform efforts and protect core provisions, and specify that our Housing Finance Reform priority honors the seniority of mortgage debt holders;
- Provide a copy of China's Green Finance Plan to the Committee;
- Present to the Committee more information on the Equator principles; and
- Present, with Legislative staff, a discussion on the divestment policy and review engagement policies as information sharing and educational item.

**The Committee heard public comment on:**

- Public Equity Asset Allocation, and
- A labor dispute

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

- The Second Reading of the Revision of the Total Fund Investment Policy, and
- A Report on the Private Asset Class Roles and Benchmarks.

The next meeting of the Investment Committee is scheduled for April 17, 2017, in Sacramento, California.