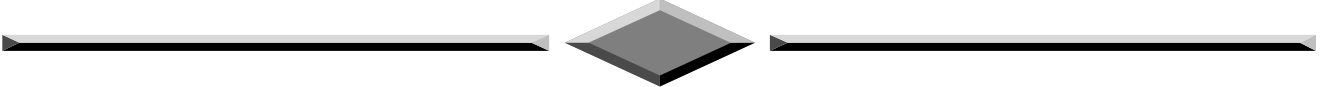


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
Wednesday, April 19, 2017**



The Board of Administration met on Wednesday, April 19, 2017 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:01 a.m. and the following members were present:

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

Board of Administration Members excused: None

AGENDA ITEM 3 – PRESIDENT'S REPORT

President Feckner spoke about the discussion involving the East San Gabriel Valley Human Services Consortium retirees who provided public comment at the April Finance and Administration Committee.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Ms. Frost reported on the following:

- The Employer Valuation Reports,
- The Terminated Agency Pool,
- The 2017-18 Budget, First Reading,
- Asset Liability Management Process,
- Editorial Board Discussions,
- Combination Healthcare Plans,

- An update on the Chief Health Director and Chief Financial Officer candidate search,
- And the IT Career Fair and the Annual Career and Education Fair.

b. Chief Investment Officer Report

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

As of February 28, 2017, the total fund performance for the fiscal year-to-date is 7.1 percent. The three-year return of the total fund is 5.2 percent and the five-year return is at 8.0 percent. The ten-year return is at 4.6 percent and the 20-year return of the total fund is 6.9 percent. All asset allocations are within their policy ranges. The total fund assets are valued at \$310.9 billion.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

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

On **MOTION** by Priya Mathur, **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 May 17, 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, April 17, 2017.

Additional information may be found in the April 17, 2017 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for May 15, 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, April 18, 2017.

Additional information may be found in the April 18, 2017 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for May 16, 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, April 18, 2017 in Sacramento, California.

On **MOTION** by Committee and **CARRIED**, the Board approved the April 2017 Prospective Report of Solicitations, Contracts, Purchase Orders and Letters of Engagement. (FAC Item 3b)

On **MOTION** by Committee and **CARRIED**, the Board approved the June 30, 2016 Judges' Retirement System Actuarial Valuation Report and adopted the employer and employee contribution rates. (FAC Item 3c)

On **MOTION** by Committee and **CARRIED**, the Board approved the June 30, 2016 Judges' Retirement System II Actuarial Valuation Report and adopted the employer and employee contribution rates. (FAC Item 3d)

On **MOTION** by Committee and **CARRIED**, the Board approved the June 30, 2016 Legislators' Retirement System Actuarial Valuation Report and adopted the employer and employee contribution rates. (FAC Item 3e)

On **MOTION** by Committee and **CARRIED**, the Board approved the 1959 Survivor Benefit Program Actuarial Valuation Report as of June 30, 2016. (FAC Item 3f)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed amendments to the Finance and Administration Committee Delegation Resolution. (FAC Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed elected Board Member percentages of time to be spent on Board related duties based on Board and Committee selections held in February and March 2017. (FAC Item 5b)

On **MOTION** by Committee and **CARRIED**, the Board approved the Fiscal Year 2017-18 Annual Budget Proposal as a first reading in the amount of \$1,676,403,000 and 2,875 positions and approved the transmittal of this agenda item to the Joint Legislature Budget Committee, fiscal committees of the Legislature, State Controller, and Department of Finance in accordance with the Budget Act of 2016. (FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed Asset Liability Management policy with proposed committee revisions. (FAC Item 7a)

On **MOTION** by Committee and **CARRIED**, with one no vote by JJ Jelincic, the Board adopted the State Employer contribution rates for period July 1, 2017 to June 30, 2018. (FAC Item 8a)

On **MOTION** by Committee and **CARRIED**, with one no vote by JJ Jelincic, the Board adopted the Schools Pool employer and employee contribution rates for the period of July 1, 2017 to June 30, 2018. (FAC Item 8b)

On **MOTION** by Committee and **CARRIED**, with one no vote by JJ Jelincic, the Board approved the proposed rescission of the policy for approval of reimbursement to State, School, and Public Agency Employers for Elected Board Members. (FAC Item 10a)

On **MOTION** by Committee and **CARRIED**, with one no vote by JJ Jelincic, the Board approved the proposed rescission of the Delegation Resolution for the Discharge of Accountability of Uncollectible Debt. (FAC Item 10b)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed revision of the Discharge from Accountability Policy. (FAC Item 10c)

Additional information may be found in the April 18, 2017 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for May 16, 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, April 17, 2017 in Sacramento, California.

On **MOTION** by Committee and **CARRIED**, the Board approved revisions to the Board Governance Committee Delegation and to the Board Governance Policy to reassign the responsibility for creating and disbanding committees from Board Governance Committee to the Full Board of Administration. (GOV Item 3b)

On **MOTION** by Committee and **CARRIED**, with one abstention by JJ Jelincic, the Board approved revisions to the Board Governance Policy to add a procedure for Board members to obtain approval of their service on outside boards related to CalPERS. (GOV Item 3c)

On **MOTION** by Committee and **CARRIED**, with one no vote by JJ Jelincic, the Board approved Form 700 transparency language which will be added to the Board Governance Policy. (GOV Item 3d)

On **MOTION** by Committee and **CARRIED**, the Board approved revisions to the CEO Delegation Resolution to clarify the CEO's delegated authority regarding Public Agency contract terminations. (GOV Item 5)

Additional information may be found in the April 17, 2017 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Board Governance Committee is scheduled for June 19, 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 moved to adopt the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8a through 8l, and agenda items 8o through 8s as the Board's own decisions with the minor modifications argued by staff to Agenda Items 8e, 8g, 8j, and 8l, and remand Agenda Items 8m and 8n for the taking of additional evidence as argued by staff.

On **MOTION** by Richard Gillihan, and **SECONDED** by Richard Costigan, and **CARRIED**, the Board approved to move Agenda Item 8t for a Full Board Hearing.

AGENDA ITEM 9 – PETITIONS FOR RECONSIDERATION

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

AGENDA ITEM 10 – STATE AND FEDERAL LEGISLATION UPDATE

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

AGENDA ITEM 11 – SUMMARY OF BOARD DIRECTION

No direction was given.

AGENDA ITEM 12 – PUBLIC COMMENT

Michael Flaherman, CalPERS retiree spoke on cybersecurity and board governance.

AGENDA ITEM 13 – APPROVAL TO MEET IN CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 11126(c)(18)(A)

On **MOTION** by Ron Lind, **SECONDED** by Priya Mathur, and **CARRIED**, the board approved to move into closed session to have the Cybersecurity Briefing.

The public meeting recessed into closed session at approximately – 9:48 a.m.

The public meeting reconvened into open session at approximately 11:30 a.m. President Feckner reported that a closed session was held to receive a presentation on potential risks and processes involving CalPERS' cybersecurity, and that no action was taken.

The public meeting adjourned at approximately 11:31 a.m.

MARCIE FROST
Chief Executive Officer



Board of Administration Agenda Item 5b

April 19, 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:

Board Member	Date	Destination	Purpose of Travel
Theresa Taylor	4/25/17-4/26/17	San Francisco	Attend Ceres Conference 2017
Richard Costigan	5/2/17-5/7/17	London	Attend Sovereign Investor Institute Roundtable
Priya Mathur	5/29/17-5/31/17	Victoria, British Columbia	Attend Western North America PRI Network Meeting
Ron Lind	5/29/17-6/1/17	Victoria, British Columbia	Attend Western North America PRI Network Meeting
Priya Mathur	6/6/17-6/13/17	Cambridge, MA	Attend Trustee Leadership Forum
Theresa Taylor	6/11/17-6/14/17	Cambridge, MA	Attend Trustee Leadership Forum
Michael Bilbrey	6/12/17-6/16/17	San Jose, CA	Attend International Foundation Certificate of Achievement in Public Plan Policy Part 1 and 2
Henry Jones	6/21/17-6/23/17	Toronto, Canada	Speak at Institute of Corporate Directors Annual Conference
Bill Slaton	6/25/17-6/27/17	New York	Attend Global Future of Retirement
Priya Mathur	7/4/17-7/10/17	Oslo, Norway	Attend PRI Board Meetings and Signatory Meetings
JJ Jelincic	9/20/17-9/29/17	France	Attend EDHEC International Advisory Board

ROB FECKNER, President
Board of Administration

April 19, 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 April 17, 2017.

The Committee approved the following:

- AGENDA ITEM 5a

To approve the Total Fund Investment Policy subject to the following additional four revisions:

- In the Divestment section, reflect that staff's review of in-force divestments shall be conducted at least every 5 years;
- Delete the additional 72-hour notice requirement for Section Seven;
- In Appendix 1, add a reference to "sub programs" to the annual review conducted by the private-asset-class board consultants; and
- In Appendix 2 add the phrase "consistent with board-approved investment policy."

The Committee received a report on:

- An overview of the proposed Private Asset Class Roles and Benchmarks in preparation of the ALM cycle.

The Chair directed staff to do the following:

- Provide the Committee with the link to the last two biannual risk reports and
- At a future meeting, consider inviting one Private Equity manager to address the Committee in Close Session.

The Committee heard public comment on:

1. The revisions to the Divestment Policy,
2. The importance of focusing on our fiduciary duty, and
3. A labor dispute.

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

- The Investment Office Cost Effectiveness report, and
- The Investment Office Roadmap and Target Operating Model Update.

The next meeting of the Investment Committee is scheduled for May 15, 2017, in Sacramento, California.