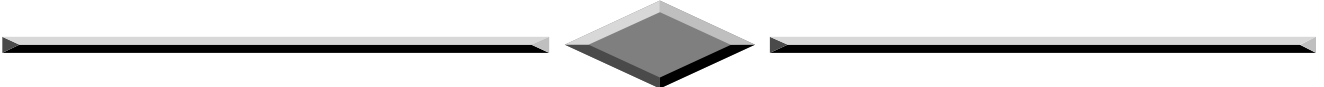


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
MINUTES OF MEETING  
Wednesday, June 21, 2017**



The Board of Administration met on Wednesday, June 21, 2017 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:13 a.m. and the following members were present:

Rob Feckner, President  
Henry Jones, Vice President  
Michael Bilbrey  
Jeree Glasser-Hedrick 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 spoke of the July Board offsite meeting, staff's work on health care rates, and the Board election in September.

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

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

Ms. Frost reported on the following:

- 2018 Health Care rates,
- Asset Liability Management,
- The CalPERS for California Report,
- The CalPERS Benefit Education Events,
- The Educational Forum,
- And the California Our Promise Campaign.

b. Chief Investment Officer Report

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

As of April 30, 2017, the total fund performance for the fiscal year-to-date is 9.2 percent. The three-year return of the total fund is 5.4 percent and the five-year return is at 8.3 percent. The ten-year return is at 4.3 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 \$318.9 billion.

## **AGENDA ITEM 5 – CONSENT ITEMS**

### **Action Consent Items:**

- a. Approval of May 17, 2017 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 2017/2018
- b. Draft Agenda for August 16, 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, June 19, 2017.

Additional information may be found in the June 19, 2017 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for August 14, 2017 in Sacramento, California.

Public comment was made by Michael Flaherman on private equity.

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, June 20, 2017.

On **MOTION** by Committee and **CARRIED**, with one abstention by Richard Costigan, the Board approved the proposed 2018 Health Maintenance Organization (HMO) risk adjusted premium rates for Anthem Blue Cross, Blue Shield of California, Health Net of California, Kaiser Permanente, Sharp Health Plan, United Healthcare, and Western Health Advantage; and the Medicare Advantage rate for Kaiser Permanente, United Healthcare and Anthem Traditional, as shown in Attachment 1. (PHBC Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed 2018 Preferred Provider Organization (PPO) risk adjusted premium rates for Anthem Exclusive Provider Organization, PERS Choice, PERS Select and PERSCare, as shown in Attachment 2. (PHBC Item 5b)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed self-funded PPO plans medical and pharmacy benefit changes for the 2018 plan year. The detailed benefit changes can be found in the June 20, 2017 Pension and Health Benefits Committee materials. (PHBC Item 6)

On **MOTION** by Committee and **CARRIED**, the Board approved that after considering the cumulative results for all bidders that participated in the solicitation number 2016-8180, and from such results, that the Board select the Long-Term Care Group, Inc., whose submission response best demonstrates the ability to offer long-term care third-party administrative services in terms of customer service, pricing, and ability to fulfill contractual terms and conditions for calendar years 2018 through 2022. (PHBC Item 7)

Additional information may be found in the June 20, 2017 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for August 15, 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 Wednesday, June 21, 2017 in Sacramento, California.

On **MOTION** by Committee and **CARRIED**, the Board approved the addition of language to the System's contracts, excluding investment contracts, reflecting that CalPERS recognizes the value of labor organizing and encourages the entities with which it contracts to demonstrate that they also value this principle by encouraging management neutrality with respect to labor organizing activities.

To remain "neutral" means not to take any action or make any statement that will directly or indirectly state or imply any support for or opposition to the selection by the Contractor's employees of a collective bargaining agent, or preference or opposition to any particular union as a bargaining agent. Nothing in this section obligates or prohibits the Contractor from entering into private neutrality, labor peace, or other lawful agreements with a labor

organization seeking to represent or who currently represents the Contractor's employees. (FAC Item 5a)

Additional information may be found in the June 21, 2017 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for September 19, 2017 in Sacramento, California.

d. Performance, Compensation and Talent Management Committee

Michael Billbrey, Chair, Compensation and Talent Management Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, June 20, 2017 in Sacramento, California.

On **MOTION** by Committee and **CARRIED**, with one abstention by JJ Jelincic, the Board approved the 2017-18 Incentive Plans of the CEO and CIO. (PCTM Item 5)

On **MOTION** by Committee and **CARRIED**, with one abstention by JJ Jelincic, the Board approved Option 2 as amended by the Committee, raising the maximum of the salary ranges for the following classifications by 4%: General Counsel, Chief Operating Investment Officer, Managing Investment Director, Investment Director and Investment Manager. (PCTM Item 6)

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for September 19, 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 Tuesday, June 20, 2017.

On **MOTION** by Committee, and **CARRIED**, the Board approved the proposed 2017-18 Enterprise Compliance Plan. (RAC Item 5a)

On **MOTION** by Committee, and **CARRIED**, the Board approved the proposed 2017-18 Enterprise Risk Management Plan. (RAC Item 6a)

On **MOTION** by Committee, and **CARRIED**, the Board approved the proposed Office of Audit Services Plan for Fiscal Year 2017-18. (RAC Item 7a)

On **MOTION** by Committee, and **CARRIED**, the Board approved the Board of Administration's Independent Financial Statement Auditor's Annual Audit Service Plan for the audit of CalPERS financial statements as of and for the fiscal year ended June 30, 2017. (RAC Item 7b)

The next meeting of the Risk and Audit Committee is scheduled for November 14, 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, June 19, 2017.

On **MOTION** by Committee, and **CARRIED**, with a roll call vote, with one abstention by Michael Bilbrey, approved the proposed revisions to the Board Governance Policy regarding Board member email usage and the distribution of articles and CalPERS related items to the Board, with amended language to clarify that the procedure for distributing articles and CalPERS-related items is only applicable when a Board member wishes to send the item(s) to a majority of the members of a Committee or a majority of the members of the Board. (GOV Item 5)

Board Member	Yes	No	Abstain
JJ Jelincic		x	
Ron Lind		x	
Priya Mathur	x		
Bill Slaton	x		
Theresa Taylor	x		
Lynn Paquin for Betty Yee	x		
Jeree Glasser-Hedrick for John Chiang	x		
Michael Bilbrey			x
Richard Costigan	x		
Richard Gillihan	x		
Dana Hollinger	x		
Henry Jones	x		

Public Comment:

Donna Snodgrass representing RPEA spoke against Board Governance Policy Item 5.  
 Al Darby representing RPEA spoke against Board Governance Policy Item 5.  
 Michael Flaherman spoke against Board Governance Policy Item 5.

The next meeting of the Board Governance Committee is scheduled for August 14, 2017 in Sacramento.

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

On **MOTION** by Henry Jones and **CARRIED**, the Board moved to (1) adopt the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8a through 8i, 8k through 8n, and 8p through 8s with the minor modifications argued by staff to agenda items 8c, 8e, 8h, 8m, and 8q; and (2), schedule agenda item 8j for a full Board hearing as argued by staff.

A **MOTION** was made by Henry Jones and **SECONDED** by Priya Mathur, to remand Agenda Item 8o for the taking of additional evidence as argued by staff.

On **SUBSTITUTE MOTION** by Rob Feckner, and **SECONDED** by JJ Jelincic, and **CARRIED**, the Board adopted the proposed decision in 8o as its own decision in its entirety.

On **MOTION** by Rob Feckner, and **SECONDED** by JJ Jelincic, and **CARRIED** the Board approved to bring back the proposed decision of Agenda Item 8o at the earliest opportunity after the appeals period has expired for designation as a precedential decision.

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

On **MOTION** by Henry Jones, **SECONDED** by JJ Jelincic and **CARRIED**, the Board denied the petitions for reconsideration at Agenda Items 9a through 9g.

#### **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**

Direction was given to bring back Agenda Item 8o for designation as a precedential decision at the time the appeals process ends.

JJ Jelincic requested adding a section to the legislative report to indicate the Board has not taken an official position on bills the team is working on, and have that available in the report moving forward.

Direction was given for the Board or a Committee to bring back options in August or September to look at potential delegation of State Legislative matters.

#### **AGENDA ITEM 12 – PUBLIC COMMENT**

John Healy, representing Corona Police Officers Association, spoke in regards to divestment.

The public meeting adjourned at approximately 11:16 a.m.

Prepared by: KARA BUCHANAN  
Committee Secretary

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MARCIE FROST  
Chief Executive Officer



# Board of Administration Agenda Item 5b

June 21, 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>
JJ Jelincic	7/23/17-7/29/17	Chicago	Attend Private Equity Exclusive
Henry Jones	8/2/17-8/4/17	Las Vegas	Attend California School Employees Association Annual Conference
Henry Jones	9/5/17-9/9/17	New York	Attend AAAIM National Conference
Henry Jones	9/12/17-9/16/17	San Diego	Participate in CII Fall Conference
Betty Yee	9/16/17-9/24/17	New York	Speak at Sustainable Investment Forum, Participate in Climate Week 2017 Meetings

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**ROB FECKNER, President**  
Board of Administration

**June 21, 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 June 19, 2017.

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

- Asset Liability Management: Adoption of Capital Market Assumptions
- Investment Manager Engagement Program
- 2016 CalPERS for California Report
- Sustainable Investment Research Initiative, and
- Federal Investment Policy Representative Update

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

- As part of the asset allocation process:
  - (1) Provide a graphic of capital market return assumptions versus actual returns over varying time frames,
  - (2) Provide the Committee with scenario analysis of the candidate portfolios, and
  - (3) Provide a review of the constraints that might apply to private equity, and how the number of external managers might affect the targeted weight to Private Equity; and
- Provide the Committee with the Principles for Responsible Investment quarterly newsletter and the PRI income inequality discussion paper.

**The Committee heard public comment on the following:**

- The Investment Manager Engagement Program update,
- Support for Senate Bill 185,
- The CalPERS for California Report, and
- Labor priorities within the Sustainable Investment Research Initiative update.

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

- The first program review of the Trust Level Portfolio Management program,
- The CalPERS Trust Level Review and Consultant Report, and
- A Corporate Governance Update.

The next meeting of the Investment Committee is scheduled for August 14, 2017, in Sacramento, California.