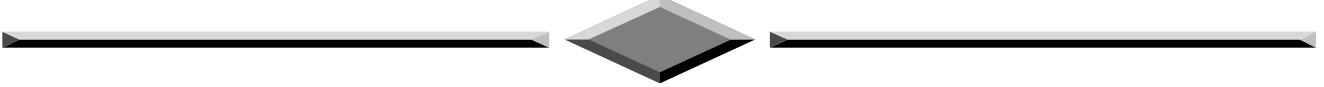


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
OPEN SESSION
Wednesday, August 16, 2017**



The Board of Administration met on Wednesday, August 16, 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:

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: Rob Feckner

AGENDA ITEM 3 – PRESIDENT'S REPORT

Vice President Jones thanked everyone for their participation at the July Board offsite meeting. Vice President Jones also thanked his fellow Board members for serving ice cream at the annual ice cream social.

Vice President Jones reminded the audience about CalPERS upcoming Board elections beginning on September 1, 2017 and encouraged everyone to vote.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Ms. Frost reported on the following:

- The annual ice cream social,
- Asset Liability Management,
- The annual Health Open Enrollment,

- Investment Committee's Proxy Season,
- Annual Valuation Reports,
- The Comprehensive Annual Financial Report,
- The California Our Promise Campaign,
- The CalPERS Benefit Education Events,
- The Educational Forum in October,
- And the annual Team meeting, CalPERS Live.

b. Chief Investment Officer Report

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

As of June 30, 2017, the total fund performance for the fiscal year-to-date is 11.2 percent. The three-year return of the total fund is 4.6 percent and the five-year return is at 8.8 percent. The ten-year return is at 4.4 percent and the 20-year return of the total fund is 6.6 percent. All asset allocations are within their policy ranges. The total fund assets are valued at \$323.5 billion.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- a. Approval of June 21, 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 2017/2018
- b. Draft Agenda for September 20, 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

Bill Slaton, Vice Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Monday, August 14, 2017.

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

The next meeting of the Investment Committee is scheduled for September 18, 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, August 15, 2017.

On **MOTION** by Committee and **CARRIED**, with one no vote by JJ Jelincic, the Board approved the proposed regulations defining pensionable compensation under the Public Employees' Pension Reform Act of 2013. With Board approval staff will submit the final rulemaking package to the Office of Administration Law for Adoption. (PHBC Item 5)

On **MOTION** by Committee and **CARRIED**, the Board approved staff's recommendation to pursue amendments to the California Code of Regulations section 586.1 defining Normal Retirement Age. (PHBC Item 6)

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

The next meeting of the Pension and Health Benefits Committee is scheduled for September 19, 2017 in Sacramento, California.

c. Finance and Administration Committee

The Committee did not meet.

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

The Committee did not meet.

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

The Committee did not meet.

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, August 15, 2017.

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

The next meeting of the Board Governance Committee is scheduled for December 19, 2017 in Sacramento.

AGENDA ITEM 8 – PRIYA MATHUR – PRINCIPLES FOR RESPONSIBLE INVESTMENT BOARD RE-ELECTION

On **MOTION** by Michael Bilbrey and **SECONDED** by Dana Hollinger, and **CARRIED**, with one abstention by JJ Jelincic, the Board approved Priya Mathur to run for re-election to the PRI Board.

AGENDA ITEM 9 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

On **MOTION** by Priya Mathur and **SECONDED** by Ron Lind, and **CARRIED**, the Board moved to (1) adopt the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 9a through 9k, and 9m, through 9kk with the minor modifications argued by staff; (2), remand Agenda Item 9l for the taking of additional evidence as argued by staff; and (3), direct staff to bring back Agenda Item 9hh after all appeal periods applicable to this PD have expired for further consideration of whether this PD should be designated as a precedential decision of the Board.

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 Board direction was given.

AGENDA ITEM 12 – PUBLIC COMMENT

Al Darby representing RPEA spoke on the positive investment returns and the discount rate.

Scott Dowell representing the City of Chico spoke about the challenges the City of Chico is facing with the new CalPERS unfunded liability payments.

Dane Hutchings representing the League of California Cities spoke about the partnership with CalPERS Executive Team.

Shane McCloud representing Money Out Voters In spoke about divestment.

Jason Perez representing the Corona Police Officers Association spoke about the fiduciary duty the Board has to the fund.

Kerry Eden representing the City of Corona spoke on the concerns the city has about their pension obligation.

Russ Leonard representing the City of Corona General Employees Association spoke about divestment and discount rates.

Bryan Snow representing the City of Corona Police Officers Association spoke about investments and the discount rate.

Karen Spiegel representing the City of Corona spoke about the concerns the city has about their pension obligation.

The public meeting adjourned at approximately 10:07 a.m.

Prepared by: KARA BUCHANAN
Committee Secretary

MARCIE FROST
Chief Executive Officer



Board of Administration Agenda Item 5b

August 16, 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
Priya Mathur	9/6/17-9/9/17	New York	Speak at Association of Asian American Investment Managers Conference
Priya Mathur	9/21/17-9/29/17	Berlin, Germany	Attend PRI Board Meetings and PRI In Person Conference
Priya Mathur	9/28/17-10/3/17	Cambridge, MA	Speak at Fiduciary Investors Symposium at MIT
Dana Hollinger	11/27/17-12/1/17	Toronto, Canada	Attend the Rotman ICPM Board Effectiveness Program
Michael Bilbrey	11/26/17-12/2/17	Toronto, Canada	Attend the Rotman ICPM Board Effectiveness Program
Dana Hollinger	12/3/17-12/7/17	Paris	Attend ICGN Conference and ESG Integration Course

ROB FECKNER, President
Board of Administration

August 16, 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 did meet on August 14, 2017.

The Committee received reports on the following topics:

- The CalPERS Trust Level Review and Consultant Report,
- The Trust Level Portfolio Management Annual Program Review,
- The Corporate Governance Update, and
- The Review of Survey Results on Board Investment Consultants.

The Chair directed staff to do the following:

- During the next investment policy annual review, include a summary of the guidelines and risk ranges used in Private Equity and Real Assets
- Provide the math supporting the 6.5% arithmetic average return used on slide 21 of the Trust level Review, which was agenda item 5a.
- Meketa was directed to provide an analysis of the Performance difference between Private Equity Funds and customized investment accounts
- Include other dimensions of diversity (including ethnic diversity) as part of the corporate Board diversity engagement strategy
- Bring back a document on our top 50 holdings, including who serves on each board, with a cross reference to determine directors with multiple board seats

The Committee heard public comment on:

- The importance of focus on earning returns versus other topics.

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

- Reviews of the Global Equity and the Global Fixed Income Programs and Policies,
- The CalPERS Consultant Public Fund Universe Comparison Reports,
- The Strategic Asset Allocation – Use of Leverage presentation, and
- The Federal Investment Policy Representative Update – Presentation.

The next meeting of the Investment Committee is scheduled for September 18, 2017, in Sacramento, California.