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**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
MINUTES OF MEETING  
OPEN SESSION**

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**Wednesday, November 15, 2017**

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

The meeting was called to order at approximately 10:36 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 acknowledged and thanked all the Veterans that were in the audience. President Feckner also thanked all the Board Members who attended the Educational Forum and the team members involved to ensure its success.

President Feckner thanked the stakeholders who attended the annual stakeholder breakfast.

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

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

Ms. Frost expressed her appreciation for the Veterans and thanked them for their service.

Ms. Frost reported on the following:

- CalPERS Employer Education Forum,
- Asset Liability Management,

- Principles for a Responsible Investment meeting,
- Board Sponsored Legislation,
- The Comprehensive Annual Financial Report,
- The Employee Engagement Survey,
- The California State Retirees Board Meeting,
- The Association of Public Pension Fund Auditors Meeting,
- Our Promise Campaign,
- The California State Employees Food Drive,
- And our Annual Turkey Drop.

As of August 31, 2017, the total fund performance for the fiscal year-to-date is 2.7 percent. The three-year return of the total fund is 5.2 percent and the five-year return is at 8.9 percent. The ten-year return is at 4.7 percent and the 20-year return of the total fund is 6.7 percent. All asset allocations are within their policy ranges. The total fund assets are valued at \$332.4 billion.

## **AGENDA ITEM 5 – CONSENT ITEMS**

### **Action Consent Items:**

- Approval of September 20, 2017 Board of Administration Meeting Minutes
- Board Travel Approvals

On **MOTION** by Michael Bilbrey, **SECONDED** by Priya Mathur and **CARRIED**, the Board approved Action Consent Items 5a.

On **MOTION** by Michael Bilbrey, **SECONDED** by Priya Mathur and **CARRIED**, with one no vote by JJ Jelincic, the Board approved Action Consent Items 5b.

## **AGENDA ITEM 6 – CONSENT ITEMS**

### **Information Consent Items:**

- Board Agenda Item Calendar 2017/2018
- Draft Agenda for December 20, 2017 Board of Administration Meeting
- General Counsel's Report
- Communications and Stakeholder Relations

## **AGENDA ITEM 7 – COMMITTEE REPORTS AND ACTIONS**

- Investment Committee

Henry Jones, Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Monday, November 13, 2017.

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

The next meeting of the Investment Committee is scheduled for December 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, November 14, 2017.

On **MOTION** by Committee and **CARRIED**, the Board approved to sponsor legislation to make technical changes to sections of the Government Code affecting the benefit programs administered by the California Public Employee's Retirement System (CalPERS), as detailed in the agenda item. (PHBC Item 5)

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

The next meeting of the Pension and Health Benefits Committee is scheduled for December 19, 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, November 14, 2017.

On **MOTION** by Committee and **CARRIED**, the Board approved the Draft CalPERS 2016-17 Basic Financial Statements. (FAC Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved the first reading of the CalPERS FY 2017-18 Mid-Year budget totaling \$1,675,851,000 and 2,875 positions. (FAC Item 5b)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed regulation establishing criteria to define an increase in actuarial liability due to increased compensation paid to a nonrepresented employee as specified in Government Code (GC) Section 20791. (FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved the sponsored legislation to make policy and technical changes to sections of the Government Code affecting the benefit programs administered by CalPERS that would:

- Shorten the timeframe in which a contracting agency can voluntarily terminate its participation in CalPERS and require a terminating agency to notify past and present employees of its intention to terminate.
- Allow CalPERS to collect any overpayment made to or on behalf of any member, former member, or beneficiary from any future CalPERS benefit payment that may be payable.
- Limit the categories of direct authorizations that retirees and beneficiaries may request CalPERS to deduct from their allowances and pay on their behalf.

On **MOTION** by Committee and **CARRIED**, with one no vote by JJ Jelincic and one abstention by Richard Gillihan, the Board approved adding a Chief Operating Officer (COO) and a Chief Health Director (CHD) to the list of employees for which the Board has authority to set compensation, conditions of employment, and performance standards. (FAC Item 7a)

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

The next meeting of the Finance and Administration Committee is scheduled for December 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 December 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, November 14, 2017.

On **MOTION** by Committee and **CARRIED**, the Board approved the Independents Auditor's report for fiscal year 2016-17. (RAC Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved the Independent Auditor's Management Letter. (RAC Item 5b)

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

The next meeting of the Risk and Audit Committee is scheduled for February 13, 2018 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet.

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

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

On **MOTION** by Henry Jones, **SECONDED** by Richard Costigan, and **CARRIED**, the Board moved to adopt the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8a through 8n as the Boards own decisions with minor modifications to Agenda Items 8c and 8d as argued by staff.

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

On **MOTION** by Henry Jones, **SECONDED** by Richard Costigan, and **CARRIED**, the Board approved to deny the petitions for reconsideration at Agenda Item 9a.

## **AGENDA ITEM 10 – DESIGNATION OF PRECEDENTIAL DECISION**

On **MOTION** by Henry Jones, **SECONDED** by Richard Costigan, and **CARRIED**, the Board approved to designate the Kareemah Bradford decision at Agenda Item 10 as a Precedential Board decision, effective immediately.

Public Comment made in support of the motion from Terry Brennand on behalf of SEIU California and by Nikhil Damle representing the City of Barstow in the matter of Ramone Warren.

## **AGENDA ITEM 11 – SUPERIOR COURT REMAND**

On **MOTION** by Henry Jones, **SECONDED** by Priya Mathur, to set aside their final decisions in the appeals of Edith Davenport and Gordon Sonne and remand the two cases, at Agenda Item 11a and 11b back to the Office of Administrative Hearings in accordance with the superior court order applicable to each case, and only on the limited issue or issues specific therein as recommended by staff.

On **AMENDED MOTION** by JJ Jelincic, **SECONDED** by Richard Costigan, and **CARRIED**, the Board approved to set aside their final decisions in the appeals of Edith Davenport and Gordon Sonne and remand the two cases, at Agenda Item 11a and 11b back to the Office of Administrative Hearings in accordance with the superior court order applicable to each case and only on the limited issue or issues specific therein as recommended by staff. The remand in the Sonne case, Agenda Item 11b, will be effective conditioned upon receipt of the final court order.

## **AGENDA ITEM 12 – ENTERPRISE PERFORMANCE REPORTING**

Marcie Frost and Team members presented an overview to the Board of the first quarterly report of the Enterprise Performance Reporting System.

## **AGENDA ITEM 13 – STATE AND FEDERAL LEGISLATION UPDATE**

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

## **AGENDA ITEM 14 – SUMMARY OF BOARD DIRECTION**

The Board directed the Team to provide a summary on the federal tax bill staff is reviewing with K&L Gates, with a focus on the provisions that impact CalPERS and any positions CalPERS has taken on those provisions.

## AGENDA ITEM 12 – PUBLIC COMMENT

JJ Jelincic provided comment on the discipline previously imposed on him.

Bryan Snow representing the City of Corona Police Officers Association spoke about divestment and the need for the Board to focus on making money for the fund.

Dan Carrigg representing the League of California Cities spoke about the cities being maxed out financially and the need for more sustainable solutions.

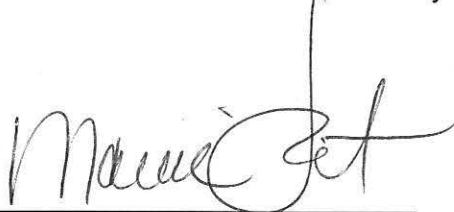
Neil Dougherty representing the City of Chico asked the Board to consider reducing the impacts for the city on the impending PERS contributions.

Scott Steedman representing SEIU 1021 for the City of Chico spoke of coming up with different solutions to reduce their unfunded liability.

Scott Dowell representing the City of Chico spoke of the effects of what the future contributions will have on the California cities.

The public meeting adjourned at approximately 12:06 p.m.

Prepared by: KARA BUCHANAN  
Committee Secretary

A handwritten signature in black ink, appearing to read "Marcie Frost", written over a horizontal line.

MARCIE FROST  
Chief Executive Officer



## Board of Administration Agenda Item 5b

November 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:

Board Member	Date	Destination	Purpose of Travel
Betty Yee	December 9 - 13, 2017	Paris, France	Speak at Paris Climate Summit
Betty Yee	January 27 – February 3, 2018	New York, NY	Speak and attend the 2018 Investor Summit on Climate Risk

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

**ROB FECKNER, President**  
Board of Administration



# Investment Committee Meeting Summary

November 13, 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 as appropriate.

The Investment Committee met on November 13, 2017.

**The Committee discussed and approved:**

- The Second Reading of the Public Asset Class Investment Policies

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

- The Private Equity and Real Assets Annual Program Reviews
- Consultant Reviews of the Private Equity and Real Assets Programs

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

- Provide a memo detailing the calculations behind the arithmetic and geometric average returns
- Inquire whether Centerpoint made any political contributions

**The Committee directed Meketa Investment Group to do the following:**

- To work with staff to provide additional background on why CalPERS did not receive requested Private Equity allocations, as well as an evaluation of the current strategy of focusing new Private Equity commitments with the top 30 General Partners.

**The Committee heard public comment on:**

- The returns and risks of Private Equity investments,
- Support for growing the Private Equity Program,
- Feedback regarding divestment mandates, and
- Changes to the Private Equity benchmark.

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

- A Report to the California Legislature on the CalPERS Emerging Manager Five-Year Plan,
- The Responsible Contractor Policy Program Annual Report,
- Strategic Asset Allocation,
- An update on the Investment Office Roadmap and Target Operating Model, and
- A report from Wilshire Associates Consulting on the impact of current divestments.

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