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**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
MINUTES OF MEETING  
OPEN SESSION  
Wednesday, February 14, 2018**

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The Board of Administration met on Wednesday, February 14, 2018 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:

Priya Mathur, President  
Rob Feckner, Vice President  
Margaret Brown  
Steve Juarez for John Chiang  
Richard Costigan  
Richard Gillihan  
Dana Hollinger  
Henry Jones  
David Miller  
Ramon Rubalcava  
Bill Slaton  
Theresa Taylor  
Lynn Paquin for Betty Yee

Board of Administration Members excused: None

### **AGENDA ITEM 3 – PRESIDENT'S REPORT**

President Mathur thanked her colleagues for their support in her role as President of the Board.

President Mathur welcomed Ramon Rubalcava to the CalPERS family and expressed gratitude to Ron Lind for his service on the Board.

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

a. Chief Executive Officer Report

Ms. Frost reported on the following:

- Optum Rx
- Health Plan Negotiations
- Amortization Policy
- California Society of Municipal Finance Officers Conference

- California Association of Public Retirement Systems Meeting
- Employee Engagement Survey
- Government Operations Lean Conference

Ms. Frost recognized the team leaders who shared their story at the Leadership Forum. Ms. Frost also recognized the Video Production team and the Leadership Development team for a job well done.

## **AGENDA ITEM 5 – CONSENT ITEMS**

### **Action Consent Items:**

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

On **MOTION** by Rob Feckner, **SECONDED** by Theresa Taylor and **CARRIED**, with one abstention by Ramon Rubalcava on item 5a, the Board approved Action Consent Item 5a and 5b.

## **AGENDA ITEM 6 – CONSENT ITEMS**

### **Information Consent Items:**

- Board Agenda Item Calendar 2018
- Draft Agenda for March 21, 2018 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, February 12, 2018.

The Committee re-elected Henry Jones as the Chair and Richard Costigan was elected as Vice Chair.

Additional information may be found in the February 12, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for March 19, 2018 in Sacramento, California.

- Pension and Health Benefits Committee

Rob Feckner, Chair, Pension and Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, February 13, 2018.

The Committee elected Rob Feckner as Chair and Theresa Taylor as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved staff's recommendation to deny member's request for a new form of retirement Option Settlement 4. (PHBC Item 4b)

On **MOTION** by Committee and **CARRIED**, Board approved staff's recommendation to pursue the proposed regulation defining Full-Time Employment. (PHBC Item 6)

Additional information may be found in the February 13, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for March 20, 2018 in Sacramento, California.

c. Finance and Administration Committee

Theresa Taylor, Chair, Finance and Administration Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, February 13, 2018.

The Committee elected Theresa Taylor as Chair and Richard Costigan as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved the June 30, 2017 Judges' Retirement System Actuarial Valuation Report and Employer and Employee Contribution Rate. (FAC Item 4b)

On **MOTION** by Committee and **CARRIED**, the Board approved the June 30, 2017 Judges' Retirement System II Actuarial valuation Report and Employer and Employee Contribution Rates. (FAC Item 4c)

On **MOTION** by Committee and **CARRIED**, the Board approved the June 30, 2017 Legislators' Retirement System Actuarial Valuation Report and Employer and Employee Contribution rates. (FAC Item 4d)

On **MOTION** by Committee and **CARRIED**, the Committee reviewed the Delegation from the Board to the Committee and has no recommended changes for the Board (FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved adoption of changes to the Amortization Policy for all Public Agency, State and Schools actuarial valuations as recommended by the Actuarial Office agenda item. (FAC Item 7a)

Public Comment on Finance and Administration Agenda Item 7a:

Mike Futrell, representing City of South San Francisco spoke on the changes to the Amortization Policy.

Richard Lee, representing City of South San Francisco spoke on the changes to the Amortization Policy.

Dane Hutchings, representing League of California Cities spoke on the changes to the Amortization Policy.

On **MOTION** by Committee and **CARRIED**, the Board approved the notice of election for the 2018 CalPERS Board of Administration State, Schools, and Public Agency member elections. (FAC Item 8a)

On **MOTION** by Committee and **CARRIED**, the Board approved adoption of the 5.25 percent discount rate assumption for the Long-Term Care (LTC) Program. (FAC Item 9a)

Public Comment on Finance and Administration Agenda Item 9a:

Donna Snodgrass representing Retired Public Employees Association spoke about the discount rate for the Long-Term Care Program.

Public Comment was also given by Tim Behrens representing California State Retirees on the discussion of higher deductible insurance.

Additional information may be found in the February 13, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for April 17, 2018 in Sacramento, California.

d. Performance, Compensation and Talent Management Committee

Bill Slaton, Chair, Performance, Compensation and Talent Management Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, February 13, 2018.

The Committee elected Bill Slaton as Chair and Richard Costigan as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved Fiscal Year 2017-18 Semiannual Status Reports of the CEO and CIO, and changes to the CIO's plan, as amended by the Committee and shown in Attachment 1. (PHBC Item 7)

The Committee deferred Agenda Item 8 to a future meeting.

On **MOTION** by Committee and **CARRIED**, the Board approved Option B, to amend the Executive Compensation Policy's Discretionary Modifier and increase flexibility by allowing discretion to be exercised upward or downward on an award by any percentage. (PHBC Item 9)

Additional information may be found in the February 13, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for March 20, 2018 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, February 12, 2018.

The Committee elected Dana Hollinger as Chair and Bill Slaton as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed Risk & Audit Committee Delegation Resolution to be brought to the Board for approval along with the other Committee Delegations. (RAC Item 6)

Additional information may be found in the February 12, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Risk and Audit Committee is scheduled for June 19, 2018 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet.

The next meeting of the Board Governance Committee is scheduled for March 20, 2018 in Sacramento.

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

On **MOTION** by Rob Feckner, **SECONDED** by Theresa Taylor, and **CARRIED**, the Board moved to 1) adopt the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8a, 8c, and 8d, 8f and 8g, and 8i through 8v as the Boards own decisions with minor modifications to Agenda Items 8a, 8d, 8p through 8r and 8v as argued by staff; 2) Remand Agenda Item 8b for the taking of additional evidence as argued by staff; 3) Remand Agenda Item 8e for the taking of additional evidence regarding the member’s psychological condition; and 4) Remand Agenda Item 8w for the taking of additional evidence regarding the Board’s duty to comply with the eligibility requirements of the PERL, as well as applicable eligibility requirement rules related to the tax requirements of the Internal Revenue Code section 401(a).

On **MOTION** by David Miller, **SECONDED** by Richard Costigan, and **CARRIED**, with two no votes by Rob Feckner and Bill Slaton, the Board approved to bring back Agenda Item 8h for a Full Board Hearing.

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

On **MOTION** by Rob Feckner, **SECONDED** by Theresa Taylor, and **CARRIED**, the Board approved to deny the petition 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 Legislation.

### **AGENDA ITEM 11 – SUMMARY OF BOARD DIRECTION**

No new Board direction was given.

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

Russ Leonard representing the City of Corona General Employees Association spoke on divestment.

Paul De La Hoya representing the City of Corona and Corona General Employees Association spoke on the fiduciary duty of the Board.

Dillon Gibbons representing the California Special Districts Association spoke on CalPERS establishing a 115 account for the Association's agencies to use.

Dane Hutchings representing League of California Cities spoke on CalPERS establishing a 115 account for the League's cities to use.

The public meeting adjourned at approximately 10:16 a.m.

Prepared by: KARA BUCHANAN  
Committee Secretary

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MARCIE FROST  
Chief Executive Officer



Board of Administration  
Agenda Item 5b  
Revised

February 14, 2018

**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
Dana Hollinger	2/26/18 – 3/3/18	Tokyo, Japan	ICGN-IIRC Conference
Priya Mathur	3/6/18 – 3/10/18	London, England	PRI Board Meetings
Margaret Brown	3/11/18 – 3/15/18	Washington, DC	CII Spring 2018 Conference
Henry Jones	6/13/18 – 6/16/18	New York, NY	Toigo Board Meeting
Henry Jones	10/15/18 – 10/20/18	Melbourne, Australia	Pacific Pension Institute Conference

**PRIYA MATHUR, President**  
Board of Administration

**February 12, 2018**

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 February 12, 2018.

The Committee held an election of the Investment Committee Chair and Vice Chair positions. Henry Jones was re-elected as Chair of the Committee and Richard Costigan was elected as Vice Chair of the Committee.

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

- Consultants and staff presented performance and risk reviews of the CalPERS portfolios, and
- The first reading of the Revision of Real Assets Program Policy

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

- To include information on the economic impact of extreme weather-related events in future economic reports, and
- To provide data on the low-income cohort and youth cohort regarding household formation

**The Committee heard public comment on:**

- Support of CalPERS Global Investment Performance Standards (GIPS) compliance

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

- A Report to the California Legislature on Assembly Bill 20,
- A Review of the Investment Committee Delegation,
- Revision of Real Assets Program Policy - Second Reading,
- Supplemental Income Plans Asset Allocation Review and Proposed Policy Revisions - First Reading,
- Governance and Sustainability Principles,
- ESG Strategic Plan Update, and
- Corporate Governance Update: Proxy Voting, Shareowner Campaigns and Corporate Engagement

The next meeting of the Investment Committee is scheduled for March 19, 2018, in Sacramento, California.