CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION MINUTES OF MEETING OPEN SESSION Wednesday, March 21, 2018

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 Matthew Saha 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 the CalPERS team members who attended the Kings game.

President Mathur stressed the Board's commitment to integrating ESG into CalPERS investment strategies and the impact that has in driving risk-adjusted returns.

President Mathur acknowledged the women who serve on the Board and who work on the CalPERS team.

AGENDA ITEM 4 – EXECUTIVE REPORT

a. Chief Executive Officer's Report

Ms. Frost reported on the following:

• The role ESG plays in our investment decisions

- The decision to post meeting transcripts with Board and committee agendas
- Health Beliefs
- Value-Based Insurance
- California Society of Municipal Finance Officers Conference
- California Association of Public Retirement Systems Meeting
- Orange County Chapter of the California Association of Cities
- Our Promise
- CalPERS Funded Status

Ms. Frost recognized the Actuary team for their continued work and support of the employers.

As of January 31, 2018, the total fund performance for the fiscal year-to-date is 10.9 percent. The one-year return is 17.0. The three-year return of the total fund is 8.6 percent and the five-year return is at 9.0 percent. The ten-year return is at 5.6 percent and the 20-year return of the total fund is 6.7 percent.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- a. Approval of February 14, 2018 Board of Administration Meeting Minutes
- b. Board Travel Approvals

On **MOTION** by Henry Jones, **SECONDED** by Theresa Taylor and **CARRIED**, the Board approved Action Consent Item 5a and 5b.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

- a. Board Agenda Item Calendar 2018
- b. Draft Agenda for April 18, 2018 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, March 19, 2018.

Additional information may be found in the March 19, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for April 16, 2018 in Sacramento, California.

b. 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, March 20, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved staff's recommendation to approve the PHBC Delegation for Board of Administration (Board) consideration and approval at the April Board meeting. (PHBC Item 5)

On **MOTION** by Committee and **CARRIED**, Board approved staff's recommendation to approve the proposed Value-Based Insurance Design for the PERS Select basic plan for the 2019 plan year. (PHBC Item 6)

Additional information may be found in the March 20, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for April 17, 2018 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 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, March 20, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed changes to the Executive Compensation Policy. (PCTM Item 3b)

Additional information may be found in the March 20, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for May 15, 2018 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 19, 2018 in Sacramento, California.

f. Board Governance Committee

Dana Hollinger, Vice Chair, Board Governance Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, March 20, 2018.

The Committee elected Priya Mathur as the Chair and Dana Hollinger was elected as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed revision to the Board Governance Policy regarding each Board member's responsibility for promoting a harassment-free and discrimination-free work place at CaIPERS. (GOV Item 7)

On **MOTION** by Committee and **CARRIED**, the Board approved the continuation of the current practice of engaging a court reporter for and ordering transcriptions of all Board and committee meetings. (GOV Item 8)

Public comment on Board Governance Agenda Item 6:

Tim Behrens spoke against the proposed meeting procedure changes to the Governance Policy.

The next meeting of the Board Governance Committee is scheduled for May 15, 2018 in Sacramento.

AGENDA ITEM 8 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

On **MOTION** by Richard Gillihan, **SECONDED** by Richard Costigan, and **CARRIED**, the Board approved to remand Agenda Item 8a for the taking of additional medical evidence.

On **MOTION** by Rob Feckner, **SECONDED** by Theresa Taylor, and **CARRIED**, the Board moved to adopt the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8b through 8h, 8j and 8l as the Boards own decisions with minor modifications to Agenda Items 8f and 8j.

On **MOTION** by Rob Feckner, **SECONDED** by David Miller, and **CARRIED**, the Board approved to remand Agenda item 8i for the taking of additional evidence as argued by staff.

On **MOTION** by Rob Feckner, **SECONDED** by Theresa Taylor, and **CARRIED**, with one abstention by Richard Costigan, the Board moved to adopt the proposed decision of Agenda Item 8k as the Board's own decision.

AGENDA ITEM 9 – SELECTION OF BOARD'S INDEPENDENT COUNSEL FOR ADMINISTRATIVE APPEALS FOR 2018-2023

On **MOTION** by Richard Gillihan, **SECONDED** by Dana Hollinger, and **CARRIED**, with one no vote by Margaret Brown, the Board approved the creation of an Ad Hoc Committee to interview the two candidates for the Board's Independent Counsel for Administrative Appeals and award the contract.

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 – ENTERPRISE PERFORMANCE REPORTING – SECOND QUARTER UPDATE

Sabrina Hutchins and team members presented a second quarter update to the Board on the Enterprise Performance Report.

AGENDA ITEM 12 – SUMMARY OF BOARD DIRECTION

No new Board direction was given.

AGENDA ITEM 13 – PUBLIC COMMENT

Chris Constantine representing the City of Chico applauded the Board's decision not to divest.

Samuel Villalobos thanked his wife and daughter for their support. Mr. Villalobos tried to speak on Agenda Item 8i and President Mathur reminded him he could not speak on an item that is before the ALJ or Board.

AGENDA ITEM 14 – APPROVAL TO MEET IN CLOSED SESION PURSUANT TO GOVERNMENT CODE SECTION 11126(c)(18)(A)

On MOTION by Theresa Taylor, **SECONDED** by Dana Hollinger, and **CARRIED** the Board approved to meet in closed session.

The public meeting recessed at approximately 10:09 a.m.

The public meeting reconvened at approximately 11:34 a.m.

The public meeting adjourned at approximately 11:35 a.m.

Prepared by: KARA BUCHANAN Committee Secretary



Board of Administration Agenda Item 5b Revised

March 21, 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
Margaret Brown	4/4/18-4/5/18	New York, NY	Attend Private Equity Women Investor Network Roundtable
Ramon Rubalcava	4/22/18-4/26/18	Philadelphia, PA	Wharton Investment Program - Portfolio concepts and management
Priya Mathur	4/25/18-4/26/18	Victoria, BC, Canada	Speak at 2018 BC Public Sector Pension Conference
Richard Costigan	6/9/18-6/13/18	Toronto, Canada	Attend International Centre for Pension Management Discussion Forum
Theresa Taylor	6/10/18-6/13/18	Cambridge, MA	Attend National Convening of the Harvard Trustee Leadership Forum
Priya Mathur	9/10/18-9/14/18	San Francisco, CA	Attend PRI in Person Conference & PRI Board Meetings
Bill Slaton	9/28/18-10/2/18	Washington, DC	Attend National Association of Corporate Directors Global Board Leaders' Summit

PRIYA MATHUR, President Board of Administration



March 21, 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 March 19, 2018.

The Committee approved the following:

- AGENDA ITEM 5a To recommend, for consideration by the Board of Administration, that the current Investment Committee delegation remain in place with no changes and
- AGENDA ITEM 5b To approve the proposed Revision of Real Assets Program Policy - Second Reading

The Committee received reports on the following topics:

- Consultant review of ESG Integration
- The ESG Strategic Plan Update
- An update on the Governance and Sustainability Principles, and
- The Corporate Governance Update on Proxy Voting, Shareowner Campaigns and Corporate Engagement

The Chair directed staff to do the following:

- To bring back a review of the gun manufacturers and retailers with options for divestment, scheduled to be taken up in 2019
- To bring back a discussion of pros and cons of corporate board diversity, quota percentage versus our principle based system at a future meeting
- To bring an update in April on staff research on nonvoting shares and benchmarks and the timeline for review the procedures, and
- To bring back a proposed revision of the Governance & Sustainability Principles, for human capital management practices regarding effective policies for sexual harassment, discrimination, and retaliation in April

The Committee heard public comment on:

- Support of Wilshire's recommendations and staff work on ESG integration
- Support of the Governance and Sustainability Principles, including geopolitical risk, and
- Fiduciary responsibility of sustainable investments

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

- Review and Proposed Policy Revisions to the Supplemental Income Plans Asset Allocation, and
- The first reading of the Revision to the Total Fund Policy

The next meeting of the Investment Committee is scheduled for April 16, 2018, in Sacramento, California.