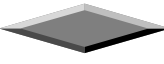


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
OPEN SESSION
Wednesday, April 18, 2018**



The Board of Administration met on Wednesday, April 18, 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
David Miller
Ramon Rubalcava
Bill Slaton
Theresa Taylor
Lynn Paquin for Betty Yee

Board of Administration Members excused: Henry Jones

AGENDA ITEM 3 – PRESIDENT'S REPORT

President Mathur extended her appreciation to the CalPERS team for all their hard work in positioning the fund for long-term success.

President Mathur thanked the team for all their work with establishing the Health Beliefs.

President Mathur reported on the subcommittee of the Board to interview the two finalists for the Board's independent counsel for administrative appeals. The subcommittee met on April 12, 2018 and interviewed two firms, Olson Hagel & Fishburn, LLP which was represented by Christopher W. Waddell and Richard C. Miadich, and Shah and Associates, which was represented by Chirag Shah. The vote was unanimous to award Shah & Associates the contract for the Board's independent counsel for administrative appeals, and the five-year contract will begin on July 1, 2018.

AGENDA ITEM 4 – EXECUTIVE REPORT

a. Chief Executive Officer's Report

Ms. Frost reported on the following:

- *A Solid Foundation for the Future* report
- First reading of the proposed FY 2018-2019 budget
- Actuarial valuation Reports for State Agencies and School Employers
- Health Care rate development process
- Regional Office visits
- NPR Insight interview
- APEX award breakfast
- Graduation ceremony for the Emerging Leader Program participants
- Wellness Fair
- March of Dimes walk for babies
- Career and Education Fair
- Susan G. Komen Race for the Future

The total fund performance for the fiscal year-to-date is 8.3 percent. The rolling one-year return is 12.4. The three-year return of the total fund is 6.8 percent and the five-year return is at 8.4 percent. The ten-year return is at 5.4 percent and the 20-year return of the total fund is 6.4 percent.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- a. Approval of March 21, 2018 Board of Administration Meeting Minutes
- b. Board Travel Approvals

On **MOTION** by Rob Feckner, **SECONDED** by Dana Hollinger and **CARRIED**, the Board approved Action Consent Items 5a and 5b.

Public Comment on Board of Administration Agenda Item 5b:

Bryan Snow representing Corona Police Officers Association spoke on the Board Member travel requests and the costs to the fund.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

- a. Board Agenda Item Calendar 2018
- b. Draft Agenda for May 16, 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

Richard Costigan, Vice Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Monday, April 16, 2018.

Additional information may be found in the April 16, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for May 14, 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, April 17, 2018.

On **MOTION** by Committee and **CARRIED**, the Board adopted the revised Health Beliefs, as shown in attachment 1 of the agenda item (Option 1), which contain suggested Committee member changes provided at the March 2018 PHBC meeting. (PHBC Item 5)

Additional information may be found in the April 17, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for May 15, 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, April 17, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved the April 2018 Prospective Report of Solicitations, Contracts, Purchase Orders and Letters of Engagement. (FAC Item 3b)

On **MOTION** by Committee and **CARRIED**, the Board approved the 1959 Survivor Benefit Program Actuarial Valuation Report as of June 30, 2017 and adopt the employer and employee monthly premiums for fiscal year 2018-19. (FAC Item 3c)

On **MOTION** by Committee and **CARRIED**, the Board approved the Fiscal Year (FY) 2018-19 Annual Budget Proposal (First Reading) in the amount of \$1,680,636,000 and 2,875 positions and approve the transmittal of this agenda item. (FAC Item 5a)

On **MOTION** by Committee and **CARRIED**, with one no vote by Richard Costigan, the Board approved the proposed elected Board Member percentages of time to be spent on Board-related duties based on Board and committee selections with a modification to David Miller to state an increase of up to 82%. (FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved the extension of current Backup/Restoration & Disaster Recovery (BR/DR) services contract through September 30, 2018, if necessary, at a total cost of approximately \$450,000.00. (FAC Item 6b)

On **MOTION** by Committee and **CARRIED**, with one no vote by Margaret Brown, the Board approved the proposed amendment to section § 554.7 of the California Code of Regulations and approve the submittal of the final rulemaking package to the Office of Administrative Law (OAL) (FAC Item 6c)

On **MOTION** by Committee and **CARRIED**, the Board adopted the State employer and member contribution rates for the period of July 1, 2018 to June 30, 2019. (FAC Item 7a)

On **MOTION** by Committee and **CARRIED**, the Board adopted an employer contribution rate of 18.062 percent for the Schools Pool and a member contribution rate of 7.00 percent for school's employees subject to the Public Employees' Pension Reform Act of 2013 (PEPRA) for the period of July 1, 2018 to June 30, 2019. (FAC Item 7b)

Additional information may be found in the April 17, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for May 15, 2018 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 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

The Committee did not meet.

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

AGENDA ITEM 8 – APPROVAL OF COMMITTEE DELEGATIONS

On **MOTION** by Richard Costigan, **SECONDED** by Theresa Taylor, and **CARRIED**, the Board approved the Committee Delegations. (BOA Item 8)

AGENDA ITEM 9 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

On **MOTION** by Rob Feckner, **SECONDED** by David Miller, and **CARRIED**, the Board moved to adopt the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 9a through 9g as the Board's own decisions with minor modifications to Agenda Items 9a, 9d and 9f as argued by staff.

AGENDA ITEM 10 – PETITIONS FOR RECONSIDERATION

On **MOTION** by Rob Feckner, **SECONDED** by David Miller, and **CARRIED**, the Board moved to deny the petitions for reconsideration at Agenda Items 10a through 10c.

AGENDA ITEM 11 – FULL BOARD HEARING

- a. Denise C. Patten

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
David Miller
Ramon Rubalcava
Bill Slaton
Theresa Taylor
Lynn Paquin for Betty Yee

Board of Administration Members excused: Henry Jones

At the February 14, 2018 Board meeting, the Board declined to adopt the proposed decision of the Administrative Law Judge (ALJ) and scheduled this matter for a full Board hearing on Denise C. Patten.

Cynthia Rodriguez, CalPERS Attorney and Marguerite Seabourn, Assistant Chief Counsel appeared for CalPERS. Jill Suzanne Breslau, attorney appeared for Ms. Patten.

Chirag Shah, the Board's independent counsel on full Board hearings arising from the proposed decisions of the OAH, was present to guide and advise the Board in these proceedings.

President Mathur reminded those present that the record from the hearing before the ALJ stands as is, but the parties have the opportunity to present oral and written arguments. President Mathur provided a general outline of the procedures for the hearing and confirmed that all parties received copies of the Statement of Policy and Procedures for Full Board Hearings before the Board.

Mr. Shah provided a summary of the case and the substantive facts.

Ms. Rodriguez then presented CalPERS Staff's arguments.

Ms. Breslau then presented arguments on Ms. Patten's behalf.

Ms. Rodriguez and Ms. Breslau each presented their rebuttal arguments.

The floor was then opened for questions by the Board.

Ms. Rodriguez and Ms. Breslau were asked questions by the Board members for approximately 30 minutes.

On **MOTION** by David Miller, **SECONDED** by Richard Gillihan, and **CARRIED**, the Board moved to adjourn to closed session to deliberate on the Full Board Hearing.

The Board then recessed into closed session at 10:54 a.m.

Closed Session

Deliberate on Full Board Hearing (Government Code section 11126(c)(3))

- b. Denise C. Patten

The Board reconvened into open session at approximately 11:27 a.m.

Open Session

Take Action on Full Board Hearing

- c. Denise C. Patten

Steve Juarez for John Chiang did not vote.
Bill Slaton recused himself and did not vote.

On **MOTION** by Theresa Taylor, **SECONDED** by David Miller, with a roll call vote, approved to overturn the ALJ decision.

Board Member	Yes	No
David Miller	x	
Ramon Rubalcava	x	
Theresa Taylor	x	
Margaret Brown	x	
Richard Costigan		x
Richard Gillihan	x	
Dana Hollinger	x	
Rob Feckner		x
Lynn Paquin for Betty Yee		x

AGENDA ITEM 12 – STATE AND FEDERAL LEGISLATION UPDATE

- a. Brad Pacheco, Communications and Stakeholder Relations Deputy, provided an update on State Legislation.

Public Comment provided on Board of Administration Agenda item 12:

Donna Snodgrass on behalf of Al Darby spoke about AB 1912.

Tim Behrens representing California State Retirees spoke in support of AB 1912.

AGENDA ITEM 13 – SUMMARY OF BOARD DIRECTION

No new Board direction was given.

AGENDA ITEM 14 – PUBLIC COMMENT

Bryan Snow representing Corona Police Officer's Association spoke on the sustainability of the fund.

Neal Johnson representing SEIU 1000 spoke about having CalPERS do the OPEB Valuation for State Employees.

The public meeting adjourned at approximately 11:51 a.m.

Prepared by: KARA BUCHANAN
Committee Secretary

MARCIE FROST
Chief Executive Officer



Board of Administration
Agenda Item 5b
REVISED

April 18, 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
Ramon Rubalcava	5/10/18-5/14/18	Cambridge, MA	Harvard Trustee Training
Ramon Rubalcava	5/20/18-5/23/18	Washington, DC	IFEBP Washington Legislative Update
Dana Hollinger	5/22/18-5/24/18	New York, NY	Attend PEWIN Meeting
Dana Hollinger	6/25/18-6/28/18	Milan, Italy	Attend ICGN Board Meeting and Annual Conference
Theresa Taylor	9/11/18-9/14/18	San Francisco, CA	Attend PRI Conference
Bill Slaton	10/28/18-11/8/18	The Hague, Netherlands	Attend World Pension Summit 2018

PRIYA MATHUR, President
Board of Administration

April 18, 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 April 16, 2018.

The Committee approved the following:

- AGENDA ITEM 5a
To approve the staff recommended asset allocation glide path for CalPERS Supplemental Income Plans in the Affiliate Trust Asset Allocation Review: Supplemental Income Plans.

The Committee received reports on the following topics:

- Dual Class/Non-Voting Shares Update and Debate,
- Proposed Revisions to Governance and Sustainability Principles, and
- Corporate Governance Update: Proxy Voting, Shareowner Campaigns and Corporate Engagement.

The Chair, Mr. Jones, directed staff to do the following:

- To facilitate consultation between CalPERS staff, the State Treasurer's Office and RVK, Inc. regarding CalPERS 2013 Supplemental Income Program Review.
- To provide the Committee with a breakdown of industry sectors of dual-class and no-vote companies, ensuring an analysis of possible exclusion of no vote-shares as part of the next mid-point ALM Benchmark Review.
- To allow for further discussion in May, during the Total Fund Policy – First Reading, for further discussion regarding corporate board diversity.
- To bring back in May's Total Fund Policy – First Reading, potential updated Governance and Sustainability Principles language around sexual harassment, clawbacks, and arbitration.
- To reach out to the investment staff of the pension funds of Florida and Minnesota to understand their executive compensation voting framework.

The Committee heard public comments on:

- Support of staff work on Corporate Governance Update Proxy Voting Policy on CEO pay, and
- The return on ESG Investments.

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

- A review of the Affiliate Trust Asset Allocation for LRS, JRS, JRS II and CERBT,
- An update on Corporate Governance regarding Proxy Voting, Shareowner Campaigns and Corporate Engagement, and
- The first readings of the Revision to the Total Fund and Private Equity Program Policies.

The next meeting of the Investment Committee is scheduled for May 14, 2018, in Sacramento, California.