

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
OPEN SESSION
Wednesday, June 20, 2018

The Board of Administration met on Wednesday, June 20, 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
Karen Greene-Ross for Betty Yee

Board of Administration Members excused: None

**AGENDA ITEM 2 – APPROVAL OF THE JUNE 20, 2018 BOARD OF ADMINISTRATION
TIMED AGENDA**

On **MOTION** by Henry Jones, **SECONDED** by Theresa Taylor and **CARRIED**, the Board approved Action Item 2.

AGENDA ITEM 4 – PRESIDENT'S REPORT

President Mathur provided a preview of the upcoming July Board Offsite Meeting in Concord, California.

President Mathur also reported on Anne Simpson representing CalPERS at the Vatican with Pope Francis for a meeting on climate change.

AGENDA ITEM 5 – EXECUTIVE REPORT

a. Chief Executive Officer's Report

Ms. Frost reported on the following:

- Health care rates for 2019

- Open enrollment
- Pharmaceutical reference pricing proposals
- Private equity business models under consideration by the Board
- CalPERS' investments in California
- Outreach with the employers and members
- Discussions with Editorial Boards
- The CBEE in Riverside
- California League of Cities panel
- CalPERS Leadership Forum
- Governance training for the executive team
- Annual Educational Forum for employers
- Webinar on unfunded actuarial liability

The total fund performance for the fiscal year-to-date is 8.3 percent. The rolling one-year return is 10.2. The three-year return of the total fund is 6.4 percent and the five-year return is 7.7 percent. The ten-year return is 5.1 percent and the 20-year return of the total fund is 6.2 percent.

AGENDA ITEM 6 – CONSENT ITEMS

Action Consent Items:

- a. Approval of May 16, 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 6a and 6b.

AGENDA ITEM 7 – CONSENT ITEMS

Information Consent Items:

- a. Board Meeting Calendar
- b. Draft Agenda for August 15, 2018 Board of Administration Meeting
- c. General Counsel's Report
- d. Communications and Stakeholder Relations

AGENDA ITEM 8 – 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, June 18, 2018.

Additional information may be found in the June 18, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for August 13, 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, June 19, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved the final proposed regulation defining Full-Time Employment and submission of the final rulemaking package to the Office of Administrative Law for adoption. (PHBC Item 6)

On **MOTION** by Committee and **CARRIED**, the Board approved the Reference Pricing Pharmaceuticals by Therapeutic Class (Reference Pricing) program for Basic health plans serviced by a vendor or vendors chosen by staff, beginning plan year 2019. (PHBC Item 7)

On **MOTION** by Committee and **CARRIED**, with two abstentions by Richard Costigan and Henry Jones, the Board approved the proposed 2019 Health Maintenance Organization premium rates for Anthem Blue Cross, Blue Shield of California, Health Net of California, Kaiser Permanente, Sharp Health Plan, UnitedHealthcare, and Western Health Advantage; and the Medicare Advantage rates for Anthem Blue Cross, Kaiser Permanent and UnitedHealthcare, as shown in Attachment 2. (PHBC Item 8a)

On **MOTION** by Committee and **CARRIED**, the Board approved the use of \$35-50 million of excess reserves to buy-down the proposed PERSCare Basic plan premium for 2019 (Option 2).

On **MOTION** by Committee and **CARRIED**, with one no vote by Margaret Brown and two abstentions by David Miller and Henry Jones, the Board approved the proposed 2019 Preferred Provider Organization (PPO) rated for Anthem Exclusive Provider Organization, PERSCheck, PERSSelect, and PERSCare, as shown in Attachment 3. (PHBC Item 8b)

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

The next meeting of the Pension and Health Benefits Committee is scheduled for September 25, 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 September 25, 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, June 19, 2018.

On **MOTION** by Committee and **CARRIED**, with two no votes by Margaret Brown and Richard Gillihan, the Board adopted the revised salary range for the Chief Investment

Officer position of \$424,500 to \$707,500 and a revised incentive range of 0-150%. The Committee also designated the setting of an incentive target to the Chief Executive Officer.

On **MOTION** by Committee and **CARRIED**, with two no votes by Margaret Brown and Richard Gillihan, the Board adopted a revised salary range for the Chief Financial Officer position, of \$217,500 to \$362,500 and retained the current incentive range of 0-40%. (PCTM Item 6)

The Committee deferred discussion on the 2018-19 incentive plan of the Chief Executive Officer to August 2018.

The Committee also deferred the 2018-19 Incentive Metric Recommendations to August 2018.

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

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for August 14, 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 Wednesday, June 20, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed 2018-19 Enterprise Compliance Plan. (RAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed amendments to the Personal Trading Regulation for submission to the Office of Administrative Law. (RAC Item 6b)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed 2018-19 Enterprise Risk Management Plan. (RAC Item 7a)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed Office of Audit Services Plan for Fiscal Year 2018-19. (RAC Item 8a)

On **MOTION** by Committee and **CARRIED**, the Board approved the Board of Administration's Independent Financial Statement Auditor's Annual Audit Service Plan for the audits of CalPERS' financial statements as of and for the fiscal year ending June 30, 2018. (RAC Item 8b)

The next meeting of the Risk and Audit Committee is scheduled for September 25, 2018 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet.

The next meeting of the Board Governance Committee is scheduled for August 14, 2018 in Sacramento.

AGENDA ITEM 12 – STATE AND FEDERAL LEGISLATION UPDATE

- a. Dan Crowley, K&L Gates, provided an update on Federal Legislation.
- b. Brad Pacheco, Communications and Stakeholder Relations Deputy, provided an update on State Legislation.

On **MOTION** by Karen Green-Ross, **SECONDED** by David Miller, to oppose Senate Bill 783.

On **SUBSTITUTE MOTION** by Bill Slaton, **SECONDED** by Theresa Taylor, to wait until July to decide on Senate Bill 783.

After much discussion both motions were withdrawn and committee direction was given to bring back a full analysis on Senate Bill 783 to the July 2018 Board Offsite.

AGENDA ITEM 9 – LEGISLATION

9a. Senate Bill 1124 Administration of Reportable Compensation

Mr. Pacheco recommended no action be taken at this time and the team will update the Board on any progress.

9b. Assembly Bill 1912 Public Employees' Retirement Joint Powers Agreements Liability

Mr. Pacheco recommended no action be taken at this time and the team will update the Board on any progress.

Public Comment on Agenda Item 9b

Al Darby, representing RPEA, urged the Board to make the East San Gabriel folks whole or better off using TAP funds.

Terry Brennand, representing SEIU spoke to concerns of timelines and liabilities of the bill.

9c. State Regulation of Kidney Dialysis Clinics: Limits Charges for Patient Care. Initiative Statute Eligible for the November 2018 General Election.

Public Comment on Agenda Item 9c

David Miller, representing SEIU United Healthcare Workers spoke about the rebates and the safeguards.

Terry Brennand, representing SEIU spoke in favor of the bill.

Kristi Foy, representing California Dialysis Council spoke in opposition of the bill.

Tom Hiltahck, representing Patients and Caregivers to Protect Dialysis Patients spoke in opposition of the bill.

On **MOTION** by Richard Costigan, **SECONDED** by Dana Hollinger, to take a no position, at this time, and direct staff to bring back additional information related to the fiscal costs.

On **SUBSTITUTE MOTION** by Ramon Rubalcava, **SECONDED** by David Miller, and **CARRIED**, with a roll call vote and three abstentions by Karen Greene-Ross for Betty Yee, Matthew Saha for John Chiang and Richard Gillihan, the Board approved a support of the initiative.

Name	Yes	No
Henry Jones	x	
David Miller	x	
Ramon Rubalcava	x	
Bill Slaton		x
Theresa Taylor	x	
Margaret Brown		x
Richard Costigan		x
Dana Hollinger		x
Rob Feckner	x	
Priya Mathur	x	

AGENDA ITEM 10 – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

On **MOTION** by Rob Feckner, **SECONDED** by Richard Gillihan, and **CARRIED**, the Board moved to adopt the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 10a through 10m as the Board’s own decisions with minor modifications to correct the citation to section 2120 on page six of the proposed decision at Agenda Item 10a as argued by staff.

AGENDA ITEM 11 – PETITIONS FOR RECONSIDERATION

On **MOTION** by Rob Feckner, **SECONDED** by Theresa Taylor, and **CARRIED**, the Board moved to deny the petitions for reconsideration at Agenda Items 11a and 11b.

AGENDA ITEM 12 – STATE AND FEDERAL LEGISLATION UPDATE

Agenda Item 12 was moved to go before Agenda Item 9. See above.

AGENDA ITEM 13 – SUMMARY OF BOARD DIRECTION

The Board directed the team to bring back an analysis on Senate Bill 783 authored by Senator Pan to the July off-site and to put that as part of the agenda. The Board also directed the team to review the process by which the bills come before the Board, support the amendments in A.B. 1912 (articulated by Mr. Brennand during his public comment) as the team further engages with the bill’s sponsor and author to advance CalPERS position, and bring back additional analysis on the impacts to CalPERS on Agenda Item 9c, State Regulation of Kidney Dialysis Clinics.

AGENDA ITEM 14 – PUBLIC COMMENT

Neal Johnson, representing SEIO Local 1000 thanked Gary McCollum for his excellent service during his time at CalPERS. Mr. Johnson also spoke about enrollment data he received from CalHR and that his numbers were different.

Prepared by: KARA BUCHANAN
Committee Secretary

MARCIE FROST
Chief Executive Officer



Board of Administration
Agenda Item 6b
REVISED

June 20, 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
Bill Slaton	July 23-25, 2018	Chicago, IL	Private Equity Exclusive
Dana Hollinger	September 4-6, 2018	Laguna Beach, CA	2018 Public Funds Forum

A handwritten signature in black ink, appearing to read "Priya Mathur".

PRIYA MATHUR, President
Board of Administration

June 20, 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 June 18, 2018.

The Committee approved the:

- AGENDA ITEM 6a
To approve the recommended strategic asset allocation for the Health Care Fund Reserve and the Long-Term Care Fund, and
- AGENDA ITEM 7a
To adopt the revised Total Fund Policy.

The Committee received reports on the following topics:

- The first reading of the Revision of the Private Equity Program Policy,
- CalPERS for California and California Initiative,
- Update on Private Equity Business Model Alternatives, and
- Corporate Board Diversity Update.

The Chair directed staff to bring back follow-up items at a future date:

- An item to explore further policy revisions from the disclosure of sexual harassment settlements to the topic of aggregation of settlements,
- An item on corporate quarterly reporting and the perspective of a long-term investor, and
- SASBE's approach with respect to diversity.

The Committee heard public comments on the following topics:

- Revision of the Total Fund Policy – Second Reading,
- Update Private Equity Business Model Alternatives, and
- Corporate Board Diversity Update.

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

- Revision of the Private Equity Program Policy – Second Reading,
- CalPERS Trust Level Review and Consultant Report,
- Iran/Sudan Update,
- Opportunistic Strategies Annual Program Review and Consultant Review,
- Trust Level Portfolio Management Program Review and Consultant Review, and
- The Review of Survey Results on Board Investment Consultants.

The next meeting of the Investment Committee is scheduled for August 13, 2018, in Sacramento, California.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
Monday, July 16, 2018**

The CalPERS Board of Administration convened it's offsite meeting on Monday, July 16, 2018 in Concord, 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
John Chiang
Richard Gillihan
Dana Hollinger
Henry Jones
David Miller
Ramon Rubalcava
Bill Slaton
Theresa Taylor
Lynn Paquin for Betty Yee

Board of Administration Members excused: Richard Costigan

Action Item – Assembly Bill 1912 – Public Employees' Retirement: Joint Powers Agreements Liability

Public Comment

Al Darby representing RPEA spoke on behalf of East San Gabriel members and urges the Board's reconsideration of the TAP decision to partially fund the East San Gabriel members whose pensions were reduced.

On **MOTION** by Henry Jones, **SECONDED** by Theresa Taylor, and **CARRIED** with one abstention by Richard Gillihan, the Board adopted a support if amended position on A.B. 1912.

Action Item – Senate Bill 1124 – Administration of Reportable Compensation

Amendments were made prior to the meeting, recommendation was to not take a position on S.B. 1124.

Action Item – Senate Bill 783 – Public Employee Pensions Funds: Divestment Proposals Review

On **MOTION** by Lynn Paquin, **SECONDED** by David Miller, and **CARRIED** with one abstention by Richard Gillihan, the Board adopted an oppose position on S.B. 783.

Public Comment

Mark Lopez, representing EBRRD spoke in support of sustainable development in the area and supports the RCP language.

Vince Sugrul, representing Sheetmetal Local Union 104, spoke in support of the RCP language.

Edi Birsan, representing himself, spoke on the sub-context of the proposal of the Investment Board are opposing the concept of divesture.

MARCIE FROST
Chief Executive Officer