

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

The Board of Administration met on Tuesday, August 14, 2018 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:01 a.m. and the following members were present:

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

Board of Administration Members excused: John Chiang  
One recusal from Richard Gillihan

**AGENDA ITEM 2 – APPROVAL OF THE AUGUST 14, 2018 BOARD OF ADMINISTRATION  
TIMED AGENDA**

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

**AGENDA ITEM 3 – FULL BOARD HEARING**

3a. Kenneth L. Hale/Robert T. Wolf (consolidated)

At the May 16, 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 Kenneth L. Hale/Robert T. Wolf (consolidated).

John Shipley, CalPERS Attorney and Marguerite Seabourn, Assistant Chief Counsel appeared for CalPERS. Lina Balciunas Cockrell, attorney and Gary Messing, attorney appeared for Kenneth Hale and Robert Wolf.

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.

Mr. Shipley then presented CalPERS Staff's arguments.

Ms. Balciunas Cockrell then presented arguments on Mr. Hale and Mr. Wolf's behalf.

Mr. Shipley and Ms. Balciunas Cockrell each presented their rebuttal arguments.

The floor was then opened for questions by the Board.

Mr. Shipley and Ms. Balciunas Cockrell were asked questions by the Board members for approximately 30 minutes.

On **MOTION** by Theresa Taylor, **SECONDED** by Richard Costigan, 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 10:17 a.m.

### **Closed Session**

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

3b. Kenneth L. Hale/Robert T. Wolf (consolidated)

The Board reconvened into open session at approximately 11:04 a.m.

### **Open Session**

#### **Take Action on Full Board Hearing**

3c. Kenneth L. Hale/Robert T. Wolf (consolidated)

On **MOTION** by Richard Costigan, **SECONDED** by Dana Hollinger, and **CARRIED**, with two recusals from Lynn Paquin for Betty Yee and David Miller; and two no votes by Theresa Taylor and Ramon Rubalcava, the Board approved to adopt, as its own decision, the decision by the Administrative Law Judge.

The public meeting adjourned at approximately 11:05 a.m.

Prepared by: KARA BUCHANAN  
Committee Secretary

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MARCIE FROST  
Chief Executive Officer

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

**Wednesday, September 26, 2018**

The Board of Administration met on Wednesday, September 26, 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  
Dana Hollinger  
Adria Jenkins-Jones  
Henry Jones  
David Miller  
Bill Slaton  
Theresa Taylor  
Lynn Paquin for Betty Yee

Board of Administration Members excused: Ramon Rubalcava

**AGENDA ITEM 2 – APPROVAL OF THE SEPTEMBER 26, 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 welcomed Adria Jenkins-Jones to the Board.

President Mathur recognized and thanked Richard Gillihan for all his contributions to the Board over the last four years.

**AGENDA ITEM 5 – EXECUTIVE REPORT**

a. Chief Executive Officer's Report

Ms. Frost expressed her appreciation for Richard Gillihan's service to the Board.

Ms. Frost reported on the accomplishments of the past two years that have strengthened the fund.

Ms. Frost also reported on the following:

- The *Solid Foundation for the Future Report*
- Running the system as efficiently as possible
- 2018 Open Enrollment Period
- New mobile-friendly Open Enrollment App
- Digital *PERSperspective*
- Completion of the annual actuarial valuation reports
- RPEA biennial general assembly
- Council of State Governments West Annual Meeting
- NCPERS Conference
- Employee engagement survey
- Annual Educational Forum for employers
- CalPERS Live

Ms. Frost welcomed new team members Michael Cohen, Chief Financial Officer; Michele Nix, Controller; and Ben Meng, Chief Investment Officer to CalPERS. Ms. Frost thanked Marlene Timberlake D'Adamo for her role as the Interim Chief Financial Officer.

The total fund performance for the fiscal year-to-date as of July 31, 2018 is 8.3 percent. The three-year return of the total fund is 7.1 percent and the five-year return is 7.7 percent. The ten-year return is 5.9 percent and the twenty-year return is 6.1 percent.

## **AGENDA ITEM 6 – CONSENT ITEMS**

### **Action Consent Items:**

- a. Approval of August 15, 2018 Board of Administration Meeting Minutes
- b. Board Travel Approvals
- c. Approval for Board Member's New Term on Outside Board

On **MOTION** by Rob Feckner, **SECONDED** by Richard Costigan and **CARRIED**, the Board approved Action Consent Items 6a and 6c.

On **MOTION** by Bill Slaton, **SECONDED** by Richard Costigan and **CARRIED**, with one no vote by Margaret Brown, the Board approved Mr. Chiang's travel to attend Value Edge Advisor's Forum, and Ms. Hollinger's travel to attend the ICGN Network Meeting.

## **AGENDA ITEM 7 – CONSENT ITEMS**

### **Information Consent Items:**

- a. Board Meeting Calendar
- b. Draft Agenda for November 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, September 24, 2018.

Additional information may be found in the September 24, 2018 Agenda materials and transcripts of the Committee meeting.

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

### b. Pension and Health Benefits Committee

Rob Feckner, Chair, Pension and Health Committee presented the Committee Summary report to the Board. The Committee met on Tuesday, September 25, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved staff's recommendation to adopt the Health Care Fund Reserve Policy. (PHBC Item 6a)

Additional information may be found in the September 25, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for November 14, 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, September 25, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved appointing Scott Terando, CalPERS Chief Actuary as the CalPERS representative to the California Actuarial Advisory Panel (CAAP) for the three-year term ending December 31, 2020. (FAC Item 4b)

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

Additional information may be found in the September 25, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for November 14, 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, September 25, 2018.

On **MOTION** by Committee and **CARRIED**, with one no vote by Margaret Brown, the Board approved the fiscal year 2017-18 performance award of \$84,873 and a fiscal year 2018-19 base salary of \$330,720. (PCTM Item 6a)

Additional information may be found in the September 25, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for November 14, 2018 in Sacramento, California.

e. Risk and Audit Committee

Dana Hollinger, Chair, Risk & Audit Committee presented the Committee Summary report to the Board. The Committee met on Tuesday, September 25, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved the revised Office of Audit Services (OFAS) charter subject to suggested revisions regarding the ability of the Chief Auditor to participate in consultative or advisory activities. (RAC Item 6a)

Additional information may be found in the September 25, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Risk and Audit Committee is scheduled for November 14, 2018 in Sacramento, California.

f. Board Governance Committee

Dana Hollinger, Board Member, Board Governance Committee presented the Committee Summary report to the Board. The Committee met on Tuesday, September 25, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved the revised draft policy for handling harassment allegations against Board members as presented in the agenda item, with the following amendments as approved in committee:

- Page 1, section 3: add “excluding the President and Vice President,”;
- Page 2, first paragraph: replace “may” with “shall”; and
- Page 4, restore “removal or suspension from a committee assignment” and “revocation of Board member privileges”, add “removal or suspension from leadership roles on committees,” and strike “temporary termination of a Board member’s travel privileges” as repetitive.

(GOV Item 6a)

Additional information may be found in the September 25, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Board Governance Committee is scheduled for December 18, 2018 in Sacramento.

#### **AGENDA ITEM 9a – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES**

On **MOTION** by Rob Feckner, **SECONDED** by Richard Costigan, and **CARRIED**, the Board approved to set Agenda Item 9a1 for a Full Board Hearing as argued by staff.

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 9a2 through 9a9, 9a11 through 9a13, and 9a15 through 9a26 as the Board's own decisions with minor modifications to Agenda Item 9a8, 9a9, 9a17, 9a20 and 9a23 as argued by staff.

On **MOTION** by David Miller, **SECONDED** by Richard Costigan, and **CARRIED**, the Board approved to set Agenda Item 9a10 for a full board hearing.

On **MOTION** by Rob Feckner, **SECONDED** by Theresa Taylor, and **CARRIED**, the Board approved to remand Agenda Item 9a14 for the taking of additional evidence regarding whether staff has met its burden in this case.

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

On **MOTION** by Rob Feckner, **SECONDED** by Richard Costigan, and **CARRIED**, the Board moved to deny the petition for reconsideration at Agenda Item 9b1.

#### **AGENDA ITEM 10a –ENTERPRISE PERFORMANCE REPORTING**

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

#### **AGENDA ITEM 10b – STATE AND FEDERAL LEGISLATION UPDATE**

Dan Crowley, K&L Gates provided an update on federal legislation.

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

#### **AGENDA ITEM 10c – SUMMARY OF BOARD DIRECTION**

The Board directed the team to determine what and how we can communicate the decision on eliminating risk adjustment to stakeholders and to bring to the Board Governance Committee as a December agenda item the concept of an Inspector General.

#### **AGENDA ITEM 10d – PUBLIC COMMENT**

Neal Johnson representing SEIU Local 1000 thanked the Performance, Compensation and Talent Management Committee for explaining why the closed session had run so long.

**AGENDA ITEM 11 – APPROVAL TO MEET IN CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 11126(c)(18)(A)**

On **MOTION** by Richard Costigan, **SECONDED** by Henry Jones, and **CARRIED** the Board approved to meet in closed session for the information security update and cybersecurity briefing.

The public meeting recessed at approximately 10:49 a.m.

The public meeting reconvened at approximately 11:46 a.m.

The public meeting adjourned at approximately 11:47 a.m.

Prepared by: KARA BUCHANAN  
Committee Secretary

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MARCIE FROST  
Chief Executive Officer



Board of Administration  
**Agenda Item 6b**

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**September 26, 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:

| <b>Board Member</b> | <b>Date</b>         | <b>Destination</b> | <b>Purpose of Travel</b>   |
|---------------------|---------------------|--------------------|--|
| John Chiang         | September 4-6, 2018 | Laguna Beach, CA   | Attend Value Edge Advisors' 2018 Forum on Public Funds   |
| *Margaret Brown     | October 1 – 4, 2018 | Everett, WA        | To ensure proper implementation of new regulation 554.8 and to address stakeholder concerns by observing new procedures. |
| Dana Hollinger      | October 21-24, 2018 | New York City, NY  | Attend International Corporate Governance Network New York Event   |

\*Board President has neither approved nor denied this travel request.

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**PRIYA MATHUR, President**

Board of Administration



# Investment Committee Meeting Summary

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**September 26, 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 September 24, 2018.

**The Committee approved:**

- AGENDA ITEM 6a  
To adopt the findings of the California Public Divest from Iran Act and Sudan Act to eliminate the identified companies that do not meet the criteria for consideration.

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

- Supplemental Income Plan Strategic Asset Allocation Implementation Update
- The Real Assets and Global Fixed Income annual program reviews and consultant reports
- The first reading of the review of Investment Policy Updates
- The CalPERS Consultant Public Fund Universe Comparison Reports
- The Corporate Governance Update: Proxy Voting, Shareowner Campaigns and Corporate Engagement

**The Chair directed staff, as follows:**

- Evaluate the comments provided by Board members regarding the activities of ENGIE and Dubai Islamic Bank in relation to the requirements of the California Sudan Act,
- Evaluate the 2019 Committee annual calendar to determine if divestment-related agenda items can be consolidated,
- Incorporate IC feedback from first reading of the Real Assets Program Policy and return to the IC with updated draft for second reading in November,
- Ensure that Wilshire reflects CalPERS size into the universe comparison report,

**The following specifics are on the Corporate Governance Report:**

- Staff to analyze the 2018 proxy season outcomes and bring additional statistics on voting outcomes,
- Details on how CalPERS voted regarding Apple and BlackRock,
- Bring back additional information on the objectives of the federal government in creating the EEO-1 reporting framework,
- Provide an update on the SEC's review of Proxy Advisory Firms independence,
- Provide an update on the number of 3D members who have been placed on Corporate Boards, and
- Include considerations about the CEO tenure plan in the context of long term investment strategies in corporations

**The Committee heard public comments on the following topics:**

- CalPERS commitment to the Responsible Contractor Policy Program
- CalPERS team work with respect to engagement and corporate governance, and
- CalPERS hiring of its CEO

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

- The annual reviews of the Global Equity and Private Equity Programs and consultant reports
- A second reading of the review of Investment Policy Updates

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