

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

Wednesday, November 15, 2018

The Board of Administration met on Wednesday, November 15, 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
Matthew Saha for John Chiang
Richard Costigan
Dana Hollinger
Adria Jenkins-Jones
Henry Jones
David Miller
Ramon Rubalcava
Bill Slaton
Theresa Taylor
Lynn Paquin for Betty Yee

Board of Administration Members excused: Margaret Brown

**AGENDA ITEM 2 – APPROVAL OF THE NOVEMBER 15, 2018 BOARD OF ADMINISTRATION
TIMED AGENDA**

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

AGENDA ITEM 4 – PRESIDENT'S REPORT

President Mathur honored all the veterans who have served and those who are part of the CalPERS family.

President Mathur recognized and thanked Ted Eliopoulos for his time at CalPERS.

AGENDA ITEM 5 – EXECUTIVE REPORT

a. Chief Executive Officer's Report

Ms. Frost expressed her appreciation for Ted Eliopoulos's service to CalPERS.

Ms. Frost also reported on the following:

- The Annual Educational Forum for employers
- The Comprehensive Annual Financial Report (CAFR)
- The West Investors Annual Meeting
- The Inclusive Capitalism Conference
- The California School Board Association's Annual Education Conference
- Our Promise Campaign
- And the State Employees Food Drive

The total fund performance for the fiscal year-to-date as of August 31, 2018 has a preliminary one-year rolling return is 8.1. The three-year return of the total fund is 8.7 percent and the five-year return is 8.1 percent. The ten-year return is 6 percent.

AGENDA ITEM 6 – CONSENT ITEMS

Action Consent Items:

- a. Approval of August 14 and September 26, 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 December 19, 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, November 13, 2018.

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

The next meeting of the Investment Committee is scheduled for December 17, 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, November 14, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved the revised proposed regulations for a 15-day comment period and recommend approval to submit the final rulemaking package to the Office of Administrative Law upon conclusion of the comment period, so long as no public comments are received. (PHBC Item 6a)

Additional information may be found in the November 14, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for December 18, 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, November 14, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved the Draft 2017-18 Basic Financial Statements. (FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved the Fiscal Year 2018-19 Mid-Year Total Budget of \$1.7 billion and 2,875 positions and the transmittal of this agenda item. (FAC Item 6b)

On **MOTION** by Committee and **CARRIED**, the Board adopted the proposed modifications to the Financial Necessity Amortization Policy. (FAC Item 7a)

Additional information may be found in the November 14, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for December 18, 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 December 18, 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, November 14, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved the CalPERS Board of Administration's Independent Financial Statement Auditor's Draft Report and accompanying required reports for the fiscal year ended June 30, 2018. (RAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved the CalPERS Board of Administration's Independent Financial Statement Auditor's Draft Management Letter for the fiscal year ended June 30, 2018. (RAC Item 6b)

On **MOTION** by Committee and **CARRIED**, the Board approved the cancellation of RFP No. 2018-8484 without awarding the independent financial statement auditing services contract and reissue the RFP to seek additional vendor participation. (RAC Item 6c)

Additional information may be found in the November 14, 2018 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Risk and Audit Committee is scheduled for February 20, 2019 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet.

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 David Miller, and **CARRIED**, the Board moved to adopt the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 9a1 and 9a2, and 9a4 through 9a17 as the Board's own decisions with modifications to Agenda Item 9a2, 9a7, 9a10, 9a12 and 9a16 as argued by staff.

On **MOTION** by Rob Feckner, **SECONDED** by Henry Jones, and **CARRIED**, the Board approved to set Agenda Item 9a3 for a Full Board Hearing.

AGENDA ITEM 9b – 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 Item 9b1 and 9b2.

AGENDA ITEM 10 – FULL BOARD HEARING

- a. Encina Wastewater Authority/San Elijo Joint Powers Authority (consolidated matter)

Agenda item 10 was moved to the bottom of the agenda.

AGENDA ITEM 11a – ENTERPRISE PERFORMANCE REPORTING – FIRST QUARTER REPORT

Sabrina Hutchins and team members presented a first quarter update to the Board.

AGENDA ITEM 11b – STATE AND FEDERAL LEGISLATION UPDATE

Danny Brown, Chief of Legislative Affairs, provided an update on State Legislation.

AGENDA ITEM 11c – SUMMARY OF BOARD DIRECTION

The Board directed team members to bring back a communications strategy as well as the formula for bill HR 6933, Equal Treatment of Public Servants Act of 2018.

AGENDA ITEM 11d – PUBLIC COMMENT

Neal Johnson representing SEIU Local 1000 thanked Ted Eliopoulos for his years of service.

The public meeting recessed at approximately 10:30 a.m.

The public meeting reconvened at approximately 10:45 a.m.

The meeting was called to order at approximately 10:45 a.m. and the following members were present:

Rob Feckner, Vice President
Margaret Brown
Matthew Saha for John Chiang
Richard Costigan
Dana Hollinger
Adria Jenkins-Jones
Henry Jones
David Miller
Ramon Rubalcava
Bill Slaton
Theresa Taylor
Lynn Paquin for Betty Yee

Board of Administration Members excused: Margaret Brown and Priya Mathur

AGENDA ITEM 10 – FULL BOARD HEARING

10a. Encina Wastewater Authority/San Elijo Joint Powers Authority (consolidated matter)

At the September 26, 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 Encina Wastewater Authority/San Elijo Joint Powers Authority (consolidated matter).

John Shipley, CalPERS Attorney and Marguerite Seabourn, Assistant Chief Counsel appeared for CalPERS. Tracie Stender appeared for Encina Wastewater Authority and San San Elijo Joint Powers.

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.

Vice President Feckner 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. Vice President Feckner 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. Stender then presented arguments on behalf of Encina Wastewater Authority/San Elijo Joint Powers Authority.

Mr. Shipley and Ms. Stender each presented their rebuttal arguments.

The floor was then opened for questions by the Board.

Mr. Shipley and Ms. Stender 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 11:58 a.m.

Closed Session

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

10b. Encina Wastewater Authority/San Elijo Joint Powers Authority (consolidated matter)

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

Open Session

Take Action on Full Board Hearing

10c. Encina Wastewater Authority/San Elijo Joint Powers Authority (consolidated matter)

On **MOTION** by Henry Jones, **SECONDED** by David Miller, and **CARRIED**, with an electronic vote, the Board rejected the proposed decision by the Administrative Law Judge and denied the appeals and issued the Boards own final decision in both cases as argued by staff.

Name	Yes	No
Richard Costigan		X
Dana Hollinger		X
Adria Jenkins-Jones		X
Henry Jones	X	
David Miller	X	
Ramon Rubalcava	X	
Bill Slaton		X
Theresa Taylor	X	
Lynn Paquin for Betty Yee	X	
Matthew Saha for John Chiang	X	

The public meeting adjourned at approximately 12:15 p.m.

Prepared by: KARA BUCHANAN
Committee Secretary

MARCIE FROST
Chief Executive Officer



Board of Administration
Agenda Item 6b
REVISED

November 15, 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
David Miller	12/2/18 -12/5/18	Naples, Florida	Attend NACD Advanced Director Professionalism Training
Dana Hollinger	12/2/18-12/6/18	London, England	Attend ICGN Global Stewardship Forum
Henry Jones	12/4/18-12/6/18	New York, New York	Attend Toigo Board Meeting
Priya Mathur	12/5/18-12/8/18	London, England	Attend PRI Board Meetings
Rob Feckner	2/26/19 – 3/1/19	Westlake Village, CA	Attend PPI Winter Roundtable
Margaret Brown	4/28/19-5/1/19	San Francisco, California	Attend Ceres Conference 2019

PRIYA MATHUR, President

Board of Administration



Investment Committee Meeting Summary

November 15, 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 November 13, 2018.

The Committee approved:

- AGENDA ITEM 6a

Adopt the revised Total Fund Investment Policy (Totally Fund Policy) and Real Assets Program Policy.

The Committee received reports on the following topics:

- The Global Equity and Private Equity annual program reviews and consultant reports

The Chair directed staff, as follows:

- Bring back information about PEARS system assessment

The Committee heard public comments on the following topics:

- CalPERS existing private equity program and
- The proposed private equity model

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

- Fee Disclosure (AB 2833),
- Annual Responsible Contractor Policy Program,
- Report to the Legislature - California Public Divest from Iran Act and Sudan Act Compliance,
- Consultant Review of CalPERS Divestments, and
- Emerging and Transition Manager Update

The next meeting of the Investment Committee is scheduled for December 17, 2018, in Sacramento, California.