

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

Wednesday, December 19, 2018

The Board of Administration met on Wednesday, December 19, 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
Dana Hollinger
Ralph Cobb for Adria Jenkins-Jones
Henry Jones
David Miller
Ramon Rubalcava
Bill Slaton
Theresa Taylor
Lynn Paquin for Betty Yee

Board of Administration Members excused:

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

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

AGENDA ITEM 4 – PRESIDENT'S REPORT

President Mathur recognized State Treasurer John Chiang for his service on the Board.

AGENDA ITEM 5 – EXECUTIVE REPORT

a. Chief Executive Officer's Report

Ms. Frost expressed her appreciation for Priya Mathur's 16 years of service to CalPERS and thanked State Treasurer John Chiang for his service on the Board.

Ms. Frost also recognized CalPERS team members who provided support and assisted over 900 members who were affected by the Camp Fire in the Paradise area.

Ms. Frost also reported on the following:

- CalPERS team effort helping the victims of the Camp Fire
- Health Regions
- The Comprehensive Annual Financial Report (CAFR)
- Investors Leadership Network
- California State Boards Association's annual conference
- California League of Cities Municipal Finance Officers conference
- The California Society of Municipal Finance Officers annual conference
- The Emerging Leader Program

Ms. Frost recognized Tina Campbell and the Human Resources team for developing the Emerging Leader Program.

The total fund performance for the fiscal year-to-date as of October 31, 2018 has a preliminary one-year rolling return is 1.3. The three-year return of the total fund is 6.5 percent and the five-year return is 6 percent. The ten-year return is 7.9 percent.

AGENDA ITEM 6 – CONSENT ITEMS

Action Consent Items:

- a. Approval of November 15, 2018 Board of Administration Meeting Minutes
- b. Board Travel Approvals

On **MOTION** by Theresa Taylor, **SECONDED** by David Miller and **CARRIED**, the Board approved Action Consent Items 6a and 6b.

Agenda Item 6c was removed from the agenda.

AGENDA ITEM 7 – CONSENT ITEMS

Information Consent Items:

- a. Board Meeting Calendar
- b. Draft Agenda for February 21, 2019 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, December 17, 2018.

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

The next meeting of the Investment Committee is scheduled for February 19, 2019 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, December 18, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved a three-region model for public agency and school health regions as represented by scenario A1, and direct the California Public Employees' Retirement System (CalPERS) to set a range for Health Maintenance Organization regional factors. (PHBC Item 6a)

On **MOTION** by Committee and **CARRIED**, with one abstention by CalHR, the Board approved to sponsor legislation to make technical and policy changes to sections of the Government Code affecting the benefit programs administered by CalPERS. (PHBC Item 6b)

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

The next meeting of the Pension and Health Benefits Committee is scheduled for March 19, 2019 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, December 18, 2018.

On **MOTION** by Committee and **CARRIED**, the Board approved an additional one-year contract term extension for the external investment manager contracts without a defined duration. (FAC Item 4b)

On **MOTION** by Committee and **CARRIED**, the Board approved the December 2018 Prospective Report of Solicitations, Contracts, Purchase Orders and Letters of Engagements. (FAC Item 4c)

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 4d)

On **MOTION** by Committee and **CARRIED**, the Board approved the revised proposed regulation of employer actuarial liability significant increase. (FAC Item 6a)

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

The next meeting of the Finance and Administration Committee is scheduled for February 20, 2019 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, December 18, 2018.

On **MOTION** by Committee and **CARRIED**, with two no votes by Margaret Brown and CalHR, the Board approved a base pay range of \$187,500 - \$312,500 and an incentive award range of 0-40%. (PCTM Item 6a)

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for February 20, 2019 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 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 March 19, 2019 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 9a7 as the Board's own decisions with minor modifications to Agenda Item 9a5 and 9a6, as argued by staff.

On **MOTION** by Rob Feckner, **SECONDED** by David Miller, and **CARRIED**, the Board approved to remand Agenda Item 9a3 for the taking of additional evidence to determine whether the language of legal conclusion 6 is accurate.

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 9b3 through 9b6.

On **MOTION** by Rob Feckner, **SECONDED** by Theresa Taylor and **CARRIED**, with one recusal by Richard Costigan, the Board moved to deny the petition for reconsideration at Agenda Item 9b2.

AGENDA ITEM 9c – FULL BOARD HEARING DECISION

On **MOTION** by Rob Feckner, **SECONDED** by David Miller, and **CARRIED**, the Board adopted the Full Board hearing final decision presented in Agenda Item 9c in the appeals of Encina Wastewater Authority and San Elijo Joint Powers Authority (consolidated matter) as the Board's final decision.

AGENDA ITEM 10a – STATE AND FEDERAL LEGISLATION UPDATE

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

Public Comment by Al Darby, representing RPEA thanked Priya Mathur for her service to CalPERS. Mr. Darby also thanked CalPERS for the quick response to the victims of the Camp Fire.

AGENDA ITEM 10b – SUMMARY OF BOARD DIRECTION

The Board directed team members to bring back a process or policy for employer reimbursements.

AGENDA ITEM 10c – PUBLIC COMMENT

Mary McDonnell for California State Retirees thanked Priya Mathur for her service.

Neal Johnson representing SEIU Local 1000 thanked Priya Mathur for her years of service and State Treasure John Chiang for his service.

Dane Hutchings representing League of California Cities thanked the Board for their continued discussions on the private equity models. Mr. Hutchings also thanked Priya Mathur for her service.

The public meeting adjourned at approximately 10:24 a.m.

Prepared by: KARA BUCHANAN
Committee Secretary

MARCIE FROST
Chief Executive Officer



Board of Administration
Agenda Item 6b
REVISED

December 19, 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
Henry Jones	2/26/19-3/1/19	Westlake, CA	Attend PPI Winter Roundtable
Bill Slaton	3/3/19-3/6/19	Washington, DC	Attend CII Spring Conference
Rob Feckner	4/8/19-4/10/19	San Francisco, CA	Attend Pension Bridge Conference
Rob Feckner	4/28/19-5/1/19	San Francisco, CA	Attend Ceres Conference
Henry Jones	6/12/19-6/14/19	New York, NY	Attend Toigo Board Meeting
Henry Jones	7/8/19-7/12/19	Chicago, IL	Attend PPI Board Meeting and Roundtable

A handwritten signature in black ink, appearing to read "Priya Mathur", written over a horizontal line.

PRIYA MATHUR, President
Board of Administration



Investment Committee Meeting Summary

December 19, 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 December 17, 2018.

The Committee approved:

- AGENDA ITEM 6a
Adopt the revised Real Assets Program Policy (Infrastructure).
- AGENDA ITEM 7a
Adopt the Board Investment Consultant Request for Proposal - Public and Private.

The Committee received reports on the following topics:

- The Consultant review of CalPERS' divestments
- The Emerging and Transition Manager 2020 Plan update
- The annual report of the Responsible Contractor Policy Program
- A summary of the Private Equity Business Models

The Chair directed staff, as follows:

- To add language within the Board Investment Consultant Request for Proposal (RFP) on
 - i. ESG related elements
 - ii. Enhancing consultants proactive feedback on risks and opportunities
 - iii. Divestment reviews
- Hold a Bidder's Conference as part of the Board Investment Consultant RFP
- Follow-up on Intergovernmental Panel on Climate Change report 2018 on potential impacts on investment portfolios and continue related engagements

The Committee heard public comments on the following topics:

- CalPERS Infrastructure in the Real Assets Program
- Support of Leadership of the Emerging & Transition Manager Program
- Support of the Responsible Contractor Policy Program
- Private Equity Business Model
- Private Detention Centers Divestment
- Decarbonization in the utility sector and California Senate Bill 100

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

- A Report to the Legislature on Holocaust Era and Northern Ireland Investments
- Staff and Consultant Reports on the CalPERS Trust Level Review for the calendar year-end

The next meeting of the Investment Committee is scheduled for February 19, 2019, in Sacramento, California.