

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
OPEN SESSION
Wednesday, February 20, 2019**

The Board of Administration met on Wednesday, February 20, 2019 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:02 a.m. and the following members were present:

Henry Jones, President
Theresa Taylor, Vice President
Margaret Brown
Rob Feckner
Dana Hollinger
Adria Jenkins-Jones
Frank Ruffino for Fiona Ma
David Miller
Mona Pasquil Rogers
Ramon Rubalcava
Bill Slaton
Lynn Paquin for Betty Yee

Board of Administration Members excused: Jason Perez

**AGENDA ITEM 2 – APPROVAL OF THE FEBRUARY 20, 2019 BOARD OF ADMINISTRATION
TIMED AGENDA**

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

AGENDA ITEM 3 – FULL BOARD HEARING

10a. Mark L. Wheeler, Thomas R. Valdez, John M. Lopez, Larry D. Blackwell & Garry G. Cohoe (consolidated)

The following Board Members were present:

Henry Jones, President
Theresa Taylor, Vice President
Margaret Brown
Rob Feckner
Dana Hollinger
Adria Jenkins-Jones
Frank Ruffino for Fiona Ma
David Miller

Mona Pasquil Rogers
Ramon Rubalcava
Bill Slaton
Lynn Paquin for Betty Yee

Board of Administration Members excused: Jason Perez

At the November 15, 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 Mark L. Wheeler, Thomas R. Valdez, John M. Lopez, Larry D. Blackwell & Garry G. Cohoe (consolidated).

John Shipley, CalPERS Attorney and Marguerite Seabourn, Assistant Chief Counsel appeared for CalPERS. Stephen Silver and Vance Piggot appeared for Mark L. Wheeler, Thomas R. Valdez, John M. Lopez, Larry D. Blackwell & Garry G. Cohoe (consolidated).

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 Jones 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 Jones 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.

Mr. Silver then presented arguments on behalf of Mark L. Wheeler, Thomas R. Valdez, John M. Lopez, Larry D. Blackwell & Garry G. Cohoe (consolidated).

Mr. Shipley and Mr. Silver each presented their rebuttal arguments.

The floor was then opened for questions by the Board.

Mr. Shipley and Mr. Silver were asked questions by the Board members for approximately 30 minutes.

The Board then recessed into closed session at 10:19 a.m.

Closed Session

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

10b. Mark L. Wheeler, Thomas R. Valdez, John M. Lopez, Larry D. Blackwell & Garry G. Cohoe (consolidated)

The Board reconvened into open session at approximately 10:43 a.m.

Open Session

Take Action on Full Board Hearing

10c. Mark L. Wheeler, Thomas R. Valdez, John M. Lopez, Larry D. Blackwell & Garry G. Cohoe (consolidated)

The following Board Members were present:

Henry Jones, President
Theresa Taylor, Vice President
Margaret Brown
Rob Feckner
Dana Hollinger
Adria Jenkins-Jones
Frank Ruffino for Fiona Ma
David Miller
Mona Pasquil Rogers
Ramon Rubalcava
Bill Slaton
Lynn Paquin for Betty Yee

Board of Administration Members excused: Jason Perez

On **MOTION** by Theresa Taylor, **SECONDED** by Dana Hollinger, and **CARRIED**, 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.

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

Prepared by: KARA BUCHANAN
Committee Secretary

MARCIE FROST
Chief Executive Officer

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
OPEN SESSION
Thursday, February 21, 2019**

The Board of Administration met on Thursday, February 21, 2019 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:31 a.m. and the following members were present:

Henry Jones, President
Theresa Taylor, Vice President
Margaret Brown
Rob Feckner
Dana Hollinger
Adria Jenkins-Jones
Fiona Ma
David Miller
Jason Perez
Ramon Rubalcava
Bill Slaton
Lynn Paquin for Betty Yee

Board of Administration Members excused: Mona Pasquil Rogers

**AGENDA ITEM 2 – APPROVAL OF THE FEBRUARY 20, 2019 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 Jones provided an update on the work the Board will be doing with the National Association of Corporate Directors.

President Jones thanked Governor Gavin Newsom for his proposal of an additional three billion in pension contributions to help pay down the unfunded liabilities.

President Jones recognized past Board Member Richard Costigan for his years of service on the Board and presented Mr. Costigan a resolution.

Recess was taken at 10:39 a.m.

Meeting was reconvened at 10:55am

AGENDA ITEM 5 – EXECUTIVE REPORT

a. Chief Executive Officer's Report

Ms. Frost expressed her appreciation for Richard Costigan and his service to CalPERS for the last eight years.

Ms. Frost expressed her congratulations to the newly-elected Committee Chairs for 2019.

Ms. Frost welcomed Diana Dooley to the team.

Ms. Frost also reported on the following:

- Investment update
- San Mateo Consolidated Fire Department
- The Joint Legislative Assembly and Senate PERS Hearing
- California League of Cities City Manager Conference
- The Sacramento CalPERS Benefit Education Event

The total fund value as of January 31, 2019 is estimated at \$351 billion.

AGENDA ITEM 6 – CONSENT ITEMS

Action Consent Items:

- a. Approval of December 19, 2018 Board of Administration Meeting Minutes
- b. Board Travel Approvals

On **MOTION** by David Miller, **SECONDED** by Theresa Taylor 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 March 20, 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

Bill Slaton, Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, February 19, 2019.

Bill Slaton was elected as Chair of the Investment Committee and Rob Feckner was elected as Vice Chair.

Additional information may be found in the February 19, 2019 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for March 18, 2019 in Sacramento, California.

b. Pension and Health Benefits Committee

The Committee did not meet.

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 February 21, 2019.

The Committee re-elected Theresa Taylor as Chair and David Miller was elected as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved the June 30, 2018 Judges' Retirement System Actuarial Valuation Report and the corresponding transmittal letter to the Governor and Legislature. (FAC Item 5b)

On **MOTION** by Committee and **CARRIED**, the Board approved the Judges' Retirement System II Actuarial Valuation report as of June 30, 2018 and the corresponding transmittal letter to the Governor and Legislature. (FAC Item 5c)

On **MOTION** by Committee and **CARRIED**, the Board approved the June 30, 2018 Legislatures' Retirement System Actuarial Valuation Report and corresponding transmittal letter to the Governor and Legislature; the Employer Contribution Rate of 35.272 percent for the July 1 period through June 30, 2020 period, for the Legislators' Retirement System. (FAC Item 5d)

On **MOTION** by Committee and **CARRIED**, the Board approved the recommended changes to the Finance and Administration Committee Delegation. (FAC Item 5e)

On **MOTION** by Committee and **CARRIED**, with one no vote by Margaret Brown and one abstention during the Finance and Administration Committee by Henry Jones, the Board approved the Notice of Election for 2019 CalPERS Board of Administration Retired Member Election. (FAC Item 7a)

Additional information may be found in the February 21, 2019 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for April 16, 2019 in Sacramento, California.

d. Performance, Compensation and Talent Management Committee

Theresa Taylor, Chair, Performance, Compensation and Talent Management Committee, presented the Committee Summary report to the Board. The Committee met on Wednesday, February 20, 2019.

The Committee elected Theresa Taylor as Chair and Dana Hollinger as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved the Semi-Annual Status Report on the Incentive Plan of the Chief Executive Officer; the Fiscal Year 2018-2019 Semi-Annual Status Report of the Chief Executive Officer. (PCTM Item 8a)

On **MOTION** by Committee and **CARRIED**, with two no votes by Adria Jenkins Jones and Margaret Brown, the Board approved its independent consultant's recommended salary and incentive ranges in Option C for the Investment Management Positions, with instruction for staff to come back with more information on a long-term incentive plan design. (PCTM Item 8b)

Agenda Item 6b, Committee Delegation, will be brought back for approval in April.

Additional information may be found in the February 20, 2019 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for April 16, 2019 in Sacramento, California.

e. Risk and Audit Committee

Dana Hollinger, Chair of Risk and Audit Committee presented the Committee Summary report to the Board. The Committee met on Wednesday, February 20, 2019.

The Committee re-elected Dana Hollinger as Chair and elected David Miller as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved bringing the proposed Risk and Audit Committee Delegation Resolution to the Board in April for Approval with the other Committee Delegations. (RAC Item 6b)

On **MOTION** by Committee and **CARRIED**, the Board approved the Independent Financial Statement Auditor Contract be awarded to Deloitte. (RAC Item 7a)

Additional information may be found in the February 20, 2019 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Risk and Audit Committee is scheduled for June 18, 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 Theresa Taylor, **SECONDED** by Rob Feckner, and **CARRIED**, the Board moved to adopt the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 9a1 and 9a24, as the Board's own decisions with minor modifications to Agenda Item 9a2, 9a3, 9a5, 9a7, 9a9, 9a12, 9a14, 9a19 and 9a23 as argued by staff.

AGENDA ITEM 9b – DESIGNATION OF PRECEDENTIAL DECISION

1. Tracy C. Fuller

On **MOTION** by Theresa Taylor, **SECONDED** by David Miller, and **CARRIED**, the Board moved to direct the CalPERS Legal Office to solicit written comments from the public on whether or not to designate the decision at Agenda Item 9b1 as Precedential Board Decision.

AGENDA ITEM 9c – FULL BOARD HEARING DECISION

1. Mark L. Wheeler, Thomas R. Valdez, John M. Lopez, Larry D. Blackwell & Garry G. Cohoe (consolidated)

On **MOTION** by Theresa Taylor, **SECONDED** by Rob Feckner, and **CARRIED**, the Board adopted the Full Board hearing final decision presented in Agenda Item 9c in the consolidated appeals of Mark L. Wheeler, Thomas R. Valdez, John M. Lopez, Larry D. Blackwell & Garry G. Cohoe (consolidated) as the Board's final decision.

AGENDA ITEM 10a – ENTERPRISE PERFORMANCE REPORTING – SECOND QUARTER AND 2019-20 CALPERS BUSINESS PLAN

Sabrina Hutchins and team proved a second quarter update to the Board.

AGENDA ITEM 10b – STATE AND FEDERAL LEGISLATION UPDATE

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

AGENDA ITEM 10c – SUMMARY OF BOARD DIRECTION

President Jones requested a discussion of exploring the hiring of an Inspector General at the Board Governance Committee.

AGENDA ITEM 10d – PUBLIC COMMENT

Harvey Robinson, representing RPEA spoke on the class action suit Sanchez v. CalPERS. Mr. Robinson also requests the Board to direct staff to allow all health carriers at Stakeholder meetings and requests the Board to direct staff to have the health carriers provide additional counseling to members affected by the recent California fires.

Neil Johnson, representing SEIU Local 1000 spoke on the reference pricing model moving forward and thanked Richard Costigan for his many years of service.

AGENDA ITEM 11 - APPROVAL TO MEET IN CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 11126(C)(18)(A)

On **MOTION** by Theresa Taylor and **SECONDED** by Bill Slaton, the Board approved to meet in in closed session.

The meeting recessed into closed session at approximately 11:43 a.m.

The meeting reconvened into open session at approximately 12:34 p.m.

AGENDA ITEM 1 – REPORT OUT ON ENTERPRISE PERFORMANCE REPORTING: INFORMATION SECURITY UPDATE AND CYBER SECURITY BRIEFING

President Jones reported out that the Board received an Information Security Update and Cyber Security Briefing.

The Board took no action in closed session.

The public meeting adjourned at approximately 12:35 p.m.

Prepared by: KARA BUCHANAN
Committee Secretary

MARCIE FROST
Chief Executive Officer



Board of Administration Agenda Item 6b

February 21, 2019

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
Theresa Taylor	March 3 – 6, 2019	Washington, DC	CII Spring Conference
Jason Perez	March 24 - 26, 2019	Las Vegas, NV	Attend POA Training
Margaret Brown	June 2 – 8, 2019	Philadelphia, PA	Attend Wharton Investment Strategies & Portfolio Management

HENRY JONES, President
Board of Administration



Investment Committee Meeting Summary

February 21, 2019

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 February 19, 2019.

The Committee held an election of the Investment Committee Chair and Vice Chair positions. Bill Slaton was elected as Chair of the Committee and Rob Feckner was elected as Vice Chair of the Committee.

The Committee approved:

- AGENDA ITEM 5b – Review of the Investment Committee Delegation
- AGENDA ITEM 5c – Contract Administration: Assignment of Asset Class and Board Consultant Contracts
- AGENDA ITEM 6e – Report to the California Legislature - Holocaust Era and Northern Ireland

The Committee received reports on the following topics:

- The CalPERS Trust Level Review and consultant report
- A Summary of Private Equity Business Models

The Chair directed staff to bring back:

- The CalPERS Divestment Overview by April
- Language to clarify support for carbon pricing in the Proposed Revisions of the Governance and Sustainability Principles for March
- A Private Equity co-investment study and an estimate of the number of times Private Equity funds transacted with one another for the past year
- An overview of roles and purpose of the asset classes
- Schedule an infrastructure partner to present to the Investment Committee on market opportunities and decision making when appropriate
- Provide the updated Central Bank Balance Sheet chart from the CalPERS Trust Level Review presentation

The Committee heard public comments on the following topics:

- Support for the and the risks of the Private Equity Business Model
- The risks of the private detention centers

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

- Terminated Agency Pool Rebalance
- Staff and consultant reports on the Sustainable Investments Program
- An update on the Total Fund Governance and Sustainability Strategic Plan
- Proposed revisions to the Governance and Sustainability Principles
- Corporate Governance Update on Proxy Voting, Shareowner Campaigns and Corporate Engagement

The next meeting of the Investment Committee is scheduled for March 18, 2019, in Sacramento, California.