

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
OPEN SESSION
Wednesday, June 19, 2019**

The Board of Administration met on Wednesday, June 19, 2019 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:06 a.m. and the following members were present:

Henry Jones, President
Theresa Taylor, Vice President
Margaret Brown
Rob Feckner
Frank Ruffino for Fiona Ma
Lisa Middleton
David Miller
Eraina Ortega
Jason Perez
Ramon Rubalcava
Lynn Paquin for Betty Yee

Board of Administration Members excused: Dana Hollinger and Mona Pasquil Rogers

**AGENDA ITEM 2 – APPROVAL OF THE JUNE 19, 2019 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 Jones thanked Dana Hollinger for her service on the Board.

President Jones thanked the team for a successful Diversity Forum.

AGENDA ITEM 5 – EXECUTIVE REPORT

a. Chief Executive Officer's Report

Ms. Frost also thanked Dana Hollinger for her service to the Board.

Ms. Frost reported on the following:

- Health Care premiums for 2020
- Pharmaceutical Reference Pricing Program
- Healthcare Open Enrollment
- Investment Fixed Income workshop
- CalPERS selected by peer funds as having contributed most to sustainable investment and corporate governance
- Additional funding contributions from Governor Newsom and the California Legislature
- Visits with city leaders in Concord, Vallejo, and Vacaville
- Upcoming meeting with Silicon Valley Leadership Group
- Upcoming California Special District's Association General Manager's Leadership Summit
- Upcoming CalPERS Benefit Education Events
- Upcoming 20th Annual Education Forum

Ms. Frost congratulated the upcoming CalPERS Emerging Leader Program graduates,

As of April 30, 2019, the total fund performance for fiscal year-to-date is at 4.2 percent. The preliminary one-year rolling return is 4.5; the three-year return is 8.2; the five-year return is 6.2; and the ten-year return is 9.2.

AGENDA ITEM 6 – CONSENT ITEMS

Action Consent Items:

- a. Approval of April 17, 2019 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 Item 6a, 6b and 6c.

AGENDA ITEM 7 – CONSENT ITEMS

Information Consent Items:

- a. Board Meeting Calendar
- b. Draft Agenda for August 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

Rob Feckner, Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Monday, June 17, 2019.

Additional information may be found in the June 17, 2019 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for August 19, 2019 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 June 17, 2019.

On **MOTION** by Committee and **CARRIED**, with one no vote from Jason Perez, the Board approved the proposed 2020 Health Maintenance organization (HMO) premium rates for Anthem Blue Cross, Blue Shield of California, Health Net of California, Kaiser Permanente, Sharp Health Plan, UnitedHealthcare, and Western Health Advantage; the Medicare Advantage rates for Anthem Blue Cross, Kaiser Permanente and UnitedHealthcare; and the Preferred Provider Organization (PPO) rates for Anthem Exclusive Provider Organization, PERS Choice, PERS Select, and PERSCare, as shown in Attachments 1 and 2. (PHBC Item 6a and 6b)

PUBLIC COMMENT:

Tim Behrens, representing California State Retirees thanked Kathy Donneson for her many years of service.

Additional information may be found in the June 17, 2019 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for August 20, 2019 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 August 20, 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 June 18, 2019.

The Committee elected Eraina Ortega as Vice Chair of the Performance, Compensation and Talent Management Committee.

On **MOTION** by Committee and **CARRIED**, with one no vote from Margaret Brown, the Board approved the fiscal year 2019-20 incentive plan for the CEO. (PCTM Item 7a)

On **MOTION** by Committee and **CARRIED**, with one no vote from Margaret Brown, the Board approved the fiscal year 2019-20 incentive metrics as proposed. (PCTM Item 8a)

Additional information may be found in the June 18, 2019 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for August 20, 2019 in Sacramento, California.

e. Risk and Audit Committee

David Miller, Chair, Risk & Audit Committee presented the Committee Summary report to the Board. The Committee met on June 18, 2019.

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed 2019-20 Enterprise Compliance Plan. (RAC Item 7a)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed 2019-20 Enterprise Risk Management Plan. (RAC Item 7b)

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed 2019-20 Office of Audit Services Plan. (RAC Item 7c)

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 audit of CalPERS financial statements as of and for the fiscal year ending June 30, 2019. (RAC Item 7d)

On **MOTION** by Committee and **CARRIED**, the Board approved proposed amendments to the Personal Trading Regulation and submit the final rulemaking package to the Office of Administrative Law for adoption. (RAC Item 7e)

Additional information may be found in the June 18, 2019 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Risk and Audit Committee is scheduled for September 17, 2019 in Sacramento, California.

f. Board Governance Committee

Theresa Taylor, Chair, Board Governance Committee presented the Committee Summary report to the Board. The Committee met on June 19, 2019.

The Committee elected Mona Pasquil Rogers as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved the Chief Executive Officer Delegation Resolution, as approved by the Board Governance Committee without changes on May 14, 2018. (GOV Item 5b)

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

The next meeting of the Board Governance Committee is scheduled for August 20, 2019 in Sacramento.

AGENDA ITEM 9a – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

On **MOTION** by Theresa Taylor, **SECONDED** by Margaret Brown, and **CARRIED**, the Board moved to adopt the proposed decision of Administrative Law Judges (ALJ) for Agenda Items 9a1 through 9a5, and 9a7 through 9a11 as the Board's own decisions with minor modifications to Agenda Items 9a3 as argued by staff.

On **MOTION** by Eraina Ortega, **SECONDED** by Margaret Brown, and **CARRIED**, the Board moved to adopt the proposed decision of the Administrative Law Judge (ALJ) for Agenda Item 9a6 as the Board's own decision with one minor modification to correct the date at the bottom of paragraph A from 2015 to 2016.

On **MOTION** by Theresa Taylor, **SECONDED** by David Miller, and **CARRIED**, the Board moved to adopt the proposed decision of the Administrative Law Judge (ALJ) for Agenda Item 9a12 as the Board's own decision in its entirety.

AGENDA ITEM 9b – PETITIONS FOR RECONSIDERATION

On **MOTION** by Theresa Taylor, **SECONDED** by David Miller, and **CARRIED**, the Board moved to deny the petitions for reconsiderations of Agenda Items 9b1 through 9b3.

AGENDA ITEM 9c – ASSEMBLY BILL 824 (WOOD) PRESERVING ACCESS TO AFFORDABLE PRESCRIPTION DRUGS

On **MOTION** by Margaret Brown, **SECONDED** by Theresa Taylor, and **CARRIED**, the Board moved to support Assembly Bill 824 (Wood) Preserving Access to Affordable Prescription Drugs.

AGENDA ITEM 9d – SENATE BILL 343 (PAN) HEALTH PLAN DATA DISCLOSURE AND RATE REVIEW

On **MOTION** by Theresa Taylor, **SECONDED** by David Miller, and **CARRIED**, with two abstentions from Eraina Ortega and Jason Perez, the Board moved to support Senate Bill 343 (PAN) Health Plan Data Disclosure and Rate Review.

PUBLIC COMMENT

Declan Walsh, representing SEIU United Healthcare Workers encouraged a support position.

Terry Brennand, representing SEIU California encouraged a support position.

Teresa Stark, representing Kaiser Permanente encouraged an oppose unless amended position.

AGENDA ITEM 10a – STATE AND FEDERAL LEGISLATION UPDATE

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

AGENDA ITEM 10b – SUMMARY OF BOARD DIRECTION

Direction was given for the health team to not engage in further discussions around United Health Care's Harmony product unless it can be demonstrated through other discussions that United Healthcare understands the commitment to the team and really understanding the costs of the plan, in particular the discussion that happened with UC Davis and how that addition of UC Davis continuing the plan had a greater impact on the rates than what we had assumed it should.

AGENDA ITEM 10c – PUBLIC COMMENT

Neal Johnson, representing SEIU 1000 thanked Dana Hollinger for her service. Mr. Johnson also reiterated his previous comments about Dr. Kathy Donneson and her service.

JJ Jelincic made a public comment on transparency.

The public meeting adjourned at approximately 11:16 a.m.

Prepared by: KARA BUCHANAN
Committee Secretary

MARCIE FROST
Chief Executive Officer



Board of Administration
Agenda Item 6b

June 19, 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
Ramon Rubalcava	6/23/19 – 6/26/19	San Francisco, CA	Attend IFEBP Public Employee Benefits Institute
Henry Jones	7/30/19 – 8/2/19	Las Vegas, NV	Attend CSEA Annual Conference
Theresa Taylor	9/7/19- 9/12/19	Paris, France	Attend Committee on Workers Capitol Conference and PRI in Person

HENRY JONES, President
Board of Administration



Investment Committee Meeting Summary

June 19, 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 June 17, 2019.

The Committee approved the following:

- AGENDA ITEM 8a
The strategic asset allocation, benchmarks, ranges, and investment policy for the California Employers' Pension Prefunding Trust

The Committee received reports on the following topics:

- A workshop covering the characteristics and role of Fixed Income, and
- An overview of drawdowns, including potential mitigation methods

The Committee heard public comment on the following topics:

- The California Employers' Pension Prefunding Trust,
- Investment strategy, and
- The risks of private detention centers

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

- The first reading of proposed revisions to the Total Fund Policy
- The semi-annual CalPERS trust-level review, and
- The annual reviews for the Opportunistic Strategies and Trust Level Portfolio Management Programs

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