

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

Wednesday, November 20, 2019

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

The meeting was called to order at approximately 9:55 a.m. and the following members were present:

Henry Jones, President
Theresa Taylor, Vice President
Margaret Brown
Rob Feckner
Matthew Saha for Fiona Ma
Lisa Middleton
David Miller
Stacie Oliveras
Eraina Ortega
Jason Perez
Mona Pasquil Rogers
Ramon Rubalcava
Lynn Paquin for Betty Yee

Board of Administration Members excused: None

AGENDA ITEM 2 – APPROVAL OF THE SEPTEMBER 20, 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 reported on Veterans' Day and thanked all the veterans in the audience. President Jones also acknowledged November 20 as being Annual Transgender Day of Remembrance.

President Jones wished everyone a Happy Thanksgiving.

AGENDA ITEM 5 – EXECUTIVE REPORT

a. Chief Executive Officer's Report

Ms. Frost reported on the following:

- Investment Committee discussion on the role Private Equity and Real Assets play in achieving our long-term risk adjusted returns
- Sustainability Update
- The Climate Action 100+ Initiative
- CalPERS Annual Financial Report
- Top 1000 Funds' Fiduciary Investors Symposium
- California School Boards Association Annual Conference
- SEUI Board Meeting
- The League of Cities Municipal Finance Institute
- Our Promise Campaign
- State Employees' Food Drive
- Active Shooter Drill
- The 20th Annual Education Forum
- Spotlight in Excellence Award

As of September 30, 2019, the preliminary one-year rolling return is 5.9; the three-year return is 8.1; the five-year return is 6.4; and the ten-year return is 8.4.

AGENDA ITEM 6 – CONSENT ITEMS

Action Consent Items:

- a. Approval of September 18, 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 and 6b.

AGENDA ITEM 7 – CONSENT ITEMS

Information Consent Items:

- a. Board Meeting Calendar
- b. Draft Agenda for December 18, 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, November 18, 2019.

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

The next meeting of the Investment Committee is scheduled for December 16, 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 November 19, 2019.

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

The next meeting of the Pension and Health Benefits Committee is scheduled for December 17, 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 November 19, 2019.

On **MOTION** by Committee and **CARRIED**, the Board approved the November 2019 Prospective Report of Solicitations, Contracts, Purchase Orders and Letters of Engagement. (FAC Item 4b)

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 4c)

On **MOTION** by Committee and **CARRIED**, the Board approved the Draft 2018-19 Basic Financial Statements. (FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved the Fiscal Year 2019-20 Mid-Year Budget (1st Reading) in the amount of \$1.898 Billion. (FAC Item 6b)

On **MOTION** by Committee and **CARRIED**, with one abstention by David Miller, the Board approved the proposed amendment to the elected Board Member Percentage of time to be spent on Board related duties based on Board and Committee selections effective July 1, 2019. (FAC Item 6c)

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

The next meeting of the Finance and Administration Committee is scheduled for February 2020 in Sacramento, California.

d. Performance, Compensation and Talent Management Committee

Theresa Taylor, Chair, Finance and Administration Committee presented the Committee Summary report to the Board. The Committee met on November 19, 2019.

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed revisions to the Board's Compensation Policy for Executive and Investment Management Positions, previously approved at the September Committee meeting. (Sept. PCTM Item 4b)

On **MOTION** by Committee and **CARRIED**, with one no vote by Margaret Brown, the Board approved the proposed revisions to the Board's Compensation Policy for Executive and Investment Management Positions. (PCTM Item 4b)

On **MOTION** by Committee and **CARRIED**, the Board approved the scope of services, estimated timeline, and selection process for the Request for Proposal for the Board's Primary Executive and Investment Compensation Consultant. (PCTM Item 6a)

On **MOTION** by Committee and **CARRIED**, with one no vote by Margaret Brown, the Board approved Option B, with an annual base salary range of \$377,250 to \$628,750; an annual incentive range of 0-40%, with a target of 27%; and a long-term incentive target of 27%. Additionally, use the midpoint of the new salary range, \$503,000, to set the annual base salary for the current CEO, effective next July 1, 2020. (PCTM Item 6b)

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

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for date to be determined in 2020, in Sacramento, California.

e. Risk and Audit Committee

David Miller, Chair, Risk and Audit Committee presented the Committee Summary report to the Board. The Committee met on November 19, 2019.

On **MOTION** by Committee and **CARRIED**, the Board approved the CalPERS Board of Administration's Independent Financial Statement Auditor's Draft Report and the accompanying required reports for the fiscal year ended June 30, 2019. (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, 2019. (RAC Item 6b)

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

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

f. Board Governance Committee

Mona Pasquill Rogers, Vice Chair, Board Governance Committee presented the Committee Summary report to the Board. The Committee met on November 18, 2019.

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

The next meeting of the Board Governance Committee is scheduled for March 17, 2020 in Sacramento.

AGENDA ITEM 9a – PROPOSED DECISIONS OF ADMINISTRATIVE LAW JUDGES

On **MOTION** by Theresa Taylor, **SECONDED** by David Miller, and **CARRIED**, the Board moved to adopt the proposed decision of Administrative Law Judges (ALJ) for Agenda Items 9a1 and 9a2, and 9a4 through 9a29 as the Board's own decisions with minor modifications as argued by staff to Agenda Items 9a3 for the taking of additional evidence.

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 and 9b2.

AGENDA ITEM 10a – ENTERPRISE PERFORMANCE REPORTING – FIRST QUARTER UPDATE

Sabrina Hutchins and team provided a first 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

Provide a copy of any response to the House and Financial Services Committee to the Board.

AGENDA ITEM 10d – PUBLIC COMMENT

Brian Rice, representing the California Professional Firefighters spoke in opposition to the recent decision CalPERS made in regard to the City of Placentia.

Tim Steging, representing the Orange County Professional Firefighters spoke in opposition to the recent decision CalPERS made in regard to the City of Placentia.

The Public meeting adjourned at approximately 10:19 a.m.

Prepared by: KARA BUCHANAN
Committee Secretary

MARCIE FROST
Chief Executive Officer



Board of Administration
Agenda Item 6b
REVISED

November 20, 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
Margaret Brown	10/25/19 – 10/27/19	New Orleans, LA	NCPERS Fiduciary Training
Henry Jones	11/2/19 – 11/9/19	Shanghai, P.R. China	Attend PPI Board Meeting and Roundtable
Stacie Olivares	11/6/19-11/8/19	New York, NY	Speak at Toigo Investment and Leadership Event
Stacie Olivares	12/10/19-12/11/19	Laguna Niguel, CA	Fortune MPW Next Gen Leadership and Innovation Education
Rob Feckner	3/22/20-3/27/20	New York, NY	Attend Ceres 2020 Conference

HENRY JONES, President

Board of Administration



Investment Committee Meeting Summary

November 20, 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 November 18, 2019.

THE COMMITTEE approved the following:

- AGENDA ITEM 7a
The Board Investment Consultant Interview Subcommittee's recommended scores, and to award contracts to Wilshire Associates Incorporated. for General Pension Consultant; and Meketa Investment Group for Private Equity, Real Estate, and Infrastructure Consultant.
- AGENDA ITEM 8a
Staff's recommended revisions to the Global Fixed Income and Global Equity Investment Policies

The Committee received reports on the following topics:

- An overview of the roles, performance, and recent accomplishments of the Real Assets and Private Equity Programs.
- A first reading of the proposed changes to the Real Assets and Private Equity Program Policies
- Modifications to the Affiliate Funds Fixed Income Long Liability benchmark
- An update on the five-year strategic plan for sustainable investments, and
- The annual report on CalPERS' investments in California
- The Chair directed staff to ensure that external managers are in compliance with the new sexual harassment training laws, and to clarify the definition of Customized Investment Accounts in the next reading of the Private Assets Programs policies.

The Committee heard public comment on the following topics:

- The Private Equity Investment policy, and
- CalPERS' sustainable investment strategy

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

- The fourth Investment Education Workshop on Private Markets
- The annual Wilshire report on CalPERS' divestments, and
- The second reading of proposed revisions to the Real Assets and Private Equity Policies

The next meeting of the Investment Committee is scheduled for December 16, 2019 in Sacramento, California.