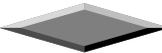


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION**

MINUTES OF MEETING

Wednesday, September 12, 2012



The Board of Administration met on Wednesday, September 12, 2012 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 11:02 a.m. and the following members were present:

Rob Feckner, President
George Diehr, Vice President
Michael Bilbrey
Howard Schwartz for Julie Chapman
Ruth Holton-Hodson for John Chiang
Richard Costigan
JJ Jelincic
Henry Jones
Grant Boyken for Bill Lockyer
Priya Mathur
Bill Slaton

Board of Administration Members excused: Dan Dunmoyer.

AGENDA ITEM 3 – PRESIDENT'S REPORT

President Feckner commented on the following:

- Pension reform legislation signed by the Governor.
- Retirement Planning Fairs.
- Stakeholder meet-and-greet.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Anne Stausboll reported on the following activities:

- Deployment of the 2012-2017 Strategic Plan and alignment with the two-year Business Plan.
- Pension reform implementation by Staff.
- CalPERS Town Hall in Orange County on topic of pensions.
- CalPERS Retirement Planning Fair in Santa Clara.
- CalPERS Employer Conference October 22 through 24 in Indian Wells.
- California State Employees' Charitable Campaign (CSECC) kick-off.

Ms. Stausboll recognized the staff of Governmental Affairs, Actuarial, Legal, Stakeholder Relations and Public Affairs who spent many hours to review and analyze the pension legislation and its costs.

b. Chief Investment Officer Report

Joe Dear presented the Chief Investment Officer's (CIO) report to the Board and reported on the following:

- The Total Fund was \$242.7 billion on September 11, 2012.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- a. Approval of August 2012 Meeting Minutes
- b. Board Travel Approvals
- c. Proposed Decisions of Administrative Law Judges

On **MOTION** by Priya Mathur, **SECONDED** by Henry Jones and **CARRIED**, the Board approved acceptance of Action Consent Items 5a, 5b, and 5c1 through 7. For Proposed Decisions of Administrative Law Judges, the Board approved Staff's recommendation.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

- a. Annual Calendar Review

- b. Board Meeting Calendar
- c. Draft Agenda for October 2012 Meeting
- d. General Counsel's Report

AGENDA ITEM 7 – 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, September 10, 2012.

Additional information may be found in the September 10, 2012 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for October 15, 2012 in Sacramento, California.

b. Pension and Health Benefits Committee

Priya Mathur, Chair, Pension and Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, September 11, 2012.

On **MOTION** by Committee and **CARRIED**, the Board approved the following:

- Adoption of a new Long-Term Care Program discount rate of 5.75 percent.

On **MOTION** by Committee and **CARRIED** with a nay vote by JJ Jelincic, the Board approved the following:

- Approval of staff's recommendation to pursue the proposed regulations that permit the CalPERS Board of Administration to implement risk adjustment procedures for health plans pursuant to statutory authority in order to adjust health plan premiums utilizing risk adjustment methods selected by CalPERS, as shown in Attachment 1 to the Committee agenda materials, with the changes discussed in the Committee meeting shown in red.

Additional information may be found in the September 11, 2012 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for October 16, 2012 in Sacramento, California.

c. Finance and Administration Committee

George Diehr, Chair, Finance and Administration Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, September 11, 2012.

On **MOTION** by Committee and **CARRIED**, the Board approved the following:

- Approval of the Year End Budget and Expenditure Report for Fiscal Year 2011-12, the transmittal letter, and the submission of the report to the appropriate parties as noted in Committee Agenda Item 5a.

Additional information may be found in the September 11, 2012 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for October 16, 2012 in Sacramento, California.

d. Performance and Compensation Committee

Michael Bilbray, Vice Chair, Performance and Compensation Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, September 11, 2012.

Additional information may be found in the September 11, 2012 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Performance and Compensation Committee is scheduled for November 13, 2012 in Sacramento, California.

e. Risk and Audit Committee

The Committee did not meet in September. The Chair reported that beginning in October 2012 the Committee will have a series of training modules. The next meeting of the Committee is scheduled for October 16, 2012.

f. Board Governance Committee

George Diehr, Vice Chair, Board Governance Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, September 11, 2012.

Additional information may be found in the September 11, 2012 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Board Governance Committee is scheduled for October 16, 2012 in Sacramento, California.

AGENDA ITEM 8 – PROPOSED REVISIONS TO BOARD’S STATE LEGISLATIVE POLICY

Agenda Item 8 was deferred without objection to a later meeting date.

AGENDA ITEM 9 – CITY OF STOCKTON BANKRUPTCY

Peter Mixon, General Counsel, reported on potential bankruptcy litigation and related issues.

Public Comment

Harvey Robinson, RPEA, urged the Board to provide whatever legal resources are needed to ensure the best outcome for CalPERS active members and annuitants.

AGENDA ITEM 10 – DIVERSITY REPORT

Lindy Plaza, Chief Diversity Officer, reported on the following:

- Diversity action plans and performance measures for the CalPERS 2012-2014 Business Plan.
- Diversity and Inclusion (D&I) staff educational workshops.
- Professional training and certification of Diversity staff to reduce consulting services.
- Web based D&I training and in-person outreach.
- Generational Jeopardy event hosted to increase diversity awareness between generations.

Gina Ratto, Deputy General Counsel, Legal Office, reported on the following:

- The results of a recent diversity survey of all law firms under contract.

Laurie Weir, Senior Portfolio Manager, Investment Office, reported on the following:

- A survey of external managers and consultants that will be presented in December.
- Recruiting and retention events focused on diverse talent.

AGENDA ITEM 11 – EXTERNAL AFFAIRS/STATE AND FEDERAL LEGISLATION

- a. Robert Glazier, Deputy Executive Officer, External Affairs, provided an update on Public Affairs, State Legislation and CalPERS sponsored bills, and reported on the following:
- Media coverage of pension legislation.
 - CalPERS Educational Forum scheduled for October 22-24.
 - The CalPERS Ambassador Program.
 - CalPERS sponsored legislation: AB 2142 and SB 987 were both sent to the Governor's desk with bi-partisan support.
 - The Senate Public Employment and Retirement Committee and the Select Committee on Procurement will hold a joint informational hearing on emerging investment managers; CIO Joe Dear will participate.
- b. Tom Lussier, CalPERS Federal Liaison, provided updates on federal legislation and reported on the following:
- The proposed Independent Agency Regulatory Analysis Act would impose Executive Office oversight over 70 plus independent federal agencies.
 - Congressional hearings have been scheduled in health and financial committees on the Affordable Care Act and the Dodd-Frank Act.

AGENDA ITEM 12 – PUBLIC COMMENT

- Neal Johnson, SEIU Local 1000, urged CalPERS to further reduce the number of contracts for services. He also expressed reservations about regulations on the risk adjustment.

The Board of Administration recessed into Closed Session to consider Agenda Item 13 at 12:22 p.m. and reconvened into Open Session at 12:40 p.m.

President Feckner reported that the Board approved 2011-12 annual performance awards for the Chief Executive Officer and Chief Investment Officer by a vote of 7 to 3 with zero abstentions.

The Board received an information report of 2011-12 annual performance awards for the Chief Actuary and General Counsel.

The Board also received an informational report of the 2011-12 annual performance awards for the Chief Operating Investment Officer, Senior Investment Officers, Senior

Portfolio Managers and Portfolio Managers as approved by the Chief Investment Officer and Chief Executive Officer.

There being nothing further to come before the Board of Administration, the meeting adjourned at 12:41 a.m.

The next Board of Administration meeting is scheduled for October 17, 2012 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer