CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION

MINUTES OF MEETING

Wednesday, October 17, 2012

The Board of Administration met on Wednesday, October 17, 2012 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:29 a.m. and the following members were present:

Rob Feckner, President
George Diehr, Vice President
Michael Bilbrey
Howard Schwartz for Julie Chapman
Terry McGuire for John Chiang
Richard Costigan
Dan Dunmoyer
JJ Jelincic
Henry Jones
Grant Boyken for Bill Lockyer
Priya Mathur
Bill Slaton

Board of Administration Members excused: none.

AGENDA ITEM 3 – PRESIDENT'S REPORT

President Feckner commented on the following:

- Pension reform and planned implementation.
- All-Staff forums were held in September to acknowledge staff accomplishments over the past year.
- Changes to the CalPERS Long Term Care program.
- Special Veterans Day event scheduled for November 15.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Anne Stausboll reported on the following activities:

- Continuing deployment of the 2012-2017 Strategic Plan.
- Implementation of the new pension reform law effective January 1, 2013.
- Annual employer valuation reports for June 30, 2011 now include risk management tools.
- CalPERS report on infrastructure investing.
- CalPERS new customer service delivery transformation roadmap.
- CalPERS Employer Educational Forum scheduled for October 22-24 in Indian Wells, CA.
- Emerging manager forum sponsored by the CalPERS Investment Office scheduled for December 3.
- The Corporate Board Diversity Initiative, or Diverse Director Data Source (3D) in partnership with CalSTRS, has networking meetings scheduled for December and early 2013.
- Over 1,300 CalPERS employees participated in the annual All-Staff Forums held between September 17 and 24.

Ms. Stausboll recognized the staff of the death benefits processing area, who recently eliminated a substantial backlog.

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 $248.8 billion on October 16, 2012.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

a. Approval of September 2012 Meeting Minutes

b. Board Travel Approvals

c. Proposed Decisions of Administrative Law Judges

On **MOTION** by Richard Costigan, **SECONDED** by Henry Jones and **CARRIED**, the Board approved acceptance of Action Consent Items 5a, 5b, and 5c1 through 9 except for 5c3. For Proposed Decisions of Administrative Law Judges, the Board approved Staff's recommendation.

On **MOTION** by Richard Costigan, **SECONDED** by Henry Jones, and **CARRIED** with abstentions by Howard Schwartz and JJ Jelincic, the Board approved acceptance of Independent Board Counsel's recommendation for 5c3 to remand the case back to the Administrative Law Judge. Mr. Schwartz clarified that on behalf of CalHR, he recused himself and did not participate in the conversation or vote on the matter.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

a. Annual Calendar Review

b. Board Meeting Calendar

c. Draft Agenda for November 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, October 15, 2012.

Additional information may be found in the October 15, 2012 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for November 13, 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, October 16, 2012.

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

- Adoption of the following actions for the CalPERS Long-Term Care (LTC) Program:

a. Implement a rate increase of 85 percent for specific LTC1 and LTC2 policies to be levied over a two-year period, or, if the member chooses to do so, the rate increase can be paid all in the first year; beginning in 2015;
b. Offer a 10-year long-term care policy with Retained Inflation (RI);
c. Extend the RI option to all policies with built-in inflation protection; and
d. Include an Optional Daily Benefit Amount (DBA) purchase option for policyholders who dropped their built-in inflation protection or decreased their DBA after the 2010 premium increase.

- Adoption of the proposed regulations permitting the California Public Employees' Retirement System (CalPERS) Board of Administration to provide amnesty from retroactive cancellation and collection of an employer's paid portion of a dependent's premium, and/or claims paid fraudulently on behalf of an ineligible dependent to employees and annuitants who voluntarily terminate their ineligible dependent(s) enrollment in a CalPERS health benefits plan on or before June 30, 2013, as shown in Attachment 1 to the Agenda materials.

Public Comment
Three representatives of the Retired Public Employees' Association (RPEA) spoke before the Board prior to the vote on CalPERS Long Term Care program: Harvey Robinson, Donna Snodgrass, and Katie Green.

Additional information may be found in the October 16, 2012 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for November 14, 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 Monday, October 15, 2012.

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

- Approval of staff's recommendation to modify three of seventy-five current standard Contract Terms and Conditions: Indemnification; Unlimited Liability; and Fiduciary Responsibility based upon the completion and approval of the Risk Assessment Worksheet for contracts deemed to be low or medium risk.

Additional information may be found in the October 15, 2012 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for November 14, 2012 in Sacramento, California.

d. Performance and Compensation Committee

The Committee did not meet in October.

e. Risk and Audit Committee

JJ Jelincic, Chair, Risk and Audit Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, October 16, 2012.

Additional information may be found in the October 16, 2012 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Risk and Audit Committee is scheduled for December 11, 2012 in Sacramento, California.

f. Board Governance Committee

George Diehr, Vice Chair, Board Governance Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, October 16, 2012.

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

- Approval as a first reading, the Board Confidentiality Policy (Attachment 1 to the Agenda materials).

Additional information may be found in the October 16, 2012 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Board Governance Committee is scheduled for November 13, 2012 in Sacramento, California.

AGENDA ITEM 8 – DESIGNATION OF PRECEDENTIAL DECISION – CRAIG F. WOODS

On **MOTION** by Priya Mathur, **SECONDED** by Dan Dunmoyer and **CARRIED**, the Board approved designating its final decision in the referenced matter as adopted on February 15, 2012 as a precedential decision of the Board.

AGENDA ITEM 9 – 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:

- CalPERS email subscription system.
- Emerging Manager Investment Forum scheduled for December 3.
- Status of CalPERS sponsored bills and next year's legislative proposals.

b. Tom Lussier, CalPERS Federal Liaison, provided updates on federal legislation and reported on the following:

- The proposed Independent Agency Regulatory Analysis Act.
- Moody's proposal to begin reporting all public pension liabilities using a 5 percent discount rate.
- *The Pending State Pension Crisis*, a new report produced by the Republican Senate staff of the Congressional Joint Economic Committee.

AGENDA ITEM 12 – PUBLIC COMMENT

- Harvey Robinson, RPEA, spoke on transparency and pension reform.

There being nothing further to come before the Board of Administration, the meeting adjourned at 10:37 a.m.

The next Board of Administration meeting is scheduled for November 15, 2012 in Sacramento, California.

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ANNE STAUSBOLL
Chief Executive Officer