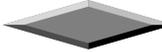


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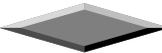
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**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION**

**MINUTES OF MEETING**

**Wednesday, December 12, 2012**

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

The meeting was called to order at approximately 9:18 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.

The CalPERS holiday choir performed a selection of songs for the Board.

**AGENDA ITEM 3 – PRESIDENT'S REPORT**

President Feckner commented on the following:

- The CalPERS Emerging Manager Forum held the previous week at the Sacramento Convention Center.
- The Board Members' tour of and workshop on the Customer Contact Center.

## **AGENDA ITEM 4 – EXECUTIVE REPORTS**

### **a. Chief Executive Officer Report**

Anne Stausboll reported on the following activities:

- Pension reform implementation and related outreach activities.
- Annual actuarial valuations have been completed featuring a new discount rate sensitivity analysis and a hypothetical termination cost for employers.
- Municipal bankruptcy litigation.
- A Toigo Foundation event in New York this week, co-hosted by CalPERS and CalSTRS, will focus on corporate board diversity and feature a presentation by Board Member Henry Jones.
- Employee participation in the annual State employees' food drive for California Emergency Foodlink.
- The my|CalPERS Release 3 scheduled for the end of January will provide member self-service.
- Board workshops scheduled for February and November on Actuarial policies and Asset Liability Management.
- Final selection of new health plan providers is expected March or April of 2013.
- Development of CalPERS Investment Beliefs.
- Organizational development of the Financial Office under the new Chief Financial Officer, Cheryl Eason.
- CalPERS comprehensive talent management strategy.
- Ms. Stausboll recognized the Private Equity staff of the Investment Office.

### **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 is \$245.6 billion.
- All asset classes are within their policy ranges.

## **AGENDA ITEM 5 – CONSENT ITEMS**

### **Action Consent Items:**

- a. Approval of November 2012 Meeting Minutes
- b. Board Travel Approvals

On **MOTION** by JJ Jelincic, **SECONDED** by George Diehr and **CARRIED**, the Board approved Action Consent Items 5a and 5b.

- c. Proposed Decisions of Administrative Law Judges

On **MOTION** by George Diehr, **SECONDED** by Priya Mathur and **CARRIED**, the Board approved acceptance of Independent Board Counsel recommendations to adopt the Proposed Decisions of Administrative Law Judges (ALJ) for Action Consent Items 5c3 through 10 as the Board's own decisions.

Independent Counsel Chirag Shah reported that Action Consent Items 5c1 and 5c2 were settled between the parties.

- d. Petition for Reconsideration

On **MOTION** by George Diehr, **SECONDED** by Priya Mathur and **CARRIED**, the Board approved acceptance of Independent Board Counsel recommendation to deny the Petition for Reconsideration for Action Consent Item 5d.

## **AGENDA ITEM 6 – CONSENT ITEMS**

### **Information Consent Items:**

- a. Annual Calendar Review
- b. Board Meeting Calendar
- c. Draft Agenda for February 2013 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, December 10, 2012.

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

The next meeting of the Investment Committee is scheduled for February 19, 2013 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, December 11, 2012.

On **MOTION** by Committee and **CARRIED** with one abstention by Dan Dunmoyer, the Board approved the following:

- Approval of staff's recommendation to sponsor legislation to make policy and technical changes to sections of the Government Code administered by the California Public Employees' Retirement System (CalPERS).

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

The next meeting of the Pension and Health Benefits Committee is scheduled for February 20, 2013 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 Wednesday, December 12, 2012.

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

- Approval of the December 2012 Prospective Report of Solicitations, Contracts, Purchase Orders and Letters of Engagement.
- Approval of the Fiscal Year 2012-13 Mid-Year Budget Proposals as listed below:
  - 1) Approval of the proposed FY 2012-13 Mid-Year increase of 86.0 positions, increasing CalPERS total authorized positions to 2,571, along with increasing the Administrative Budget by \$16,302,000 to \$373,892,000, and approval of the Budget as a second reading.
  - 2) Approval of the proposed FY 2012-13 Mid-Year increase of \$41,026,000 to the Enterprise Projects Budget for a total budget of \$84,596,000 and approval of the Budget as a second reading.

- 3) Approval of the proposed FY 2012-13 cost allocation adjustments to the Public Employees' Retirement Fund (PERF), and other funds, and approval of the cost allocation adjustments as a second reading.
- 4) Approval of the transmittal of this Agenda item to the appropriate parties as noted in the Item.

Additional information may be found in the December 12, 2012 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for February 20, 2013 in Sacramento, California.

d. Performance and Compensation Committee

The Committee did not meet in December.

e. Risk and Audit Committee

JJ Jelincic, Chair, Risk and Audit Committee, presented the Committee Summary report to the Board. The Committee met on Monday, December 10, 2012.

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

- Approval as amended the draft Comprehensive Annual Financial Report 2011-12 Financial Section, as prepared by management, for the fiscal year ended June 30, 2012.
- Acceptance of the Auditor's Report on the Draft Basic Financial Statements for the year ended June 30, 2012 and accompanying required communications, and approval of the letter of transmittal.
- Approval of the revised Audit Resolution Policy that was previously approved by the Board of Administration in March 2011.

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

The next meeting of the Risk and Audit Committee is scheduled for March 19, 2013 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet in December.

## **AGENDA ITEM 8 – PROPOSED REVISIONS TO PERFORMANCE AND COMPENSATION COMMITTEE DELEGATION RESOLUTION**

Anne Stausboll, Chief Executive Officer, presented the proposed revisions to the Board.

On **MOTION** by Priya Mathur, **SECONDED** by Michael Bilbrey and **CARRIED**, the Board approved the recommendation of the Performance and Compensation Committee to amend the Performance and Compensation Committee delegation to include talent management.

## **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:
- Media coverage surrounding municipal bankruptcies.
  - Real Desrochers, Senior Investment Officer, was featured in a recent article by the Wall Street Journal on reducing private equity fees.
  - CalPERS new video program Insights: Conversations with CalPERS Leaders recently interviewed Ann Boynton, DEO, Benefit Programs Policy and Planning.
  - The new State legislature and committee chairs.
- b. Tom Lussier, CalPERS Federal Liaison, was on hand to answer questions on federal legislation but did not present a report.

Vice President Diehr announced that he has stepped aside from the position of Chair of the National Coalition on Health Care.

## **AGENDA ITEM 12 – PUBLIC COMMENT**

There were no requests from the public to speak.

There being nothing further to come before the Board of Administration, the meeting adjourned at 10:15 a.m.

The next Board of Administration meeting is scheduled for February 21, 2013 in Sacramento, California.

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ANNE STAUSBOLL  
Chief Executive Officer