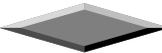


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION**

MINUTES OF MEETING

Thursday, February 21, 2013



The Board of Administration met on Thursday, February 21, 2013 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:01 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
Ron Lind
Grant Boyken for Bill Lockyer
Priya Mathur
Bill Slaton

Board of Administration Members excused: none.

AGENDA ITEM 3 – PRESIDENT'S REPORT

President Feckner introduced and welcomed new Board member Ron Lind, and announced the retirement of Dale Jablonsky, Assistant Executive Officer for Information Technology.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Anne Stausboll reported on the following:

- Joint Hearing of the Assembly Public Employees, Retirement and Social Security (PER&SS), and the Senate Public Employment and Retirement

(PER) Committees. Anne Stausboll and Joe Dear, CIO, presented an overview of CalPERS.

- Pension Reform (PEPRA) Implementation and clarifying legislation SB-13.
- San Bernardino bankruptcy status hearing.
- Ms. Stausboll recognized members of CalPERS Member Self-Service team for their efforts to launch the final release of my|CalPERS member self-service in January.
- IT Career Fair scheduled for Saturday, March 2.
- CalPERS new intranet design, launched the previous Friday.
- Ms. Stausboll's upcoming speaking engagements at the Public Retirement Journal (PRJ) and the California Association of Public Retirement Systems (CALAPRS) events, and attendance at the National Association of Retirement Administrators (NASRA) Directors meeting.
- The Board Actuarial Workshop on smoothing and amortization policies, scheduled for later in the day.
- CalPERS Diversity and Outreach program's first annual Diversity and Inclusion All Staff event scheduled for February 28.
- CalPERS quarterly Leadership Forum for managers and supervisors held last month. The main topic was the Strategic Plan.

b. Chief Investment Officer Report

Janine Guillot, Chief Operating Investment Officer, presented the Chief Investment Officer's (CIO) report to the Board and reported on the following:

- The Total Fund balance is \$255 billion.
- All asset classes are within their policy ranges.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

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

- c. Proposed Decisions of Administrative Law Judges
- d. Petitions for Reconsideration

On **MOTION** by Richard Costigan, **SECONDED** by Priya Mathur and **CARRIED**, the Board approved Action Consent Items 5a and 5b, and approved acceptance of Independent Board Counsel recommendations to adopt the Proposed Decisions of Administrative Law Judges (ALJ) and Petitions for Reconsideration for Action Consent Items 5c1 through 5d2, except for 5c6 and 5c13, as the Board's own decisions.

On **MOTION** by Priya Mathur, **SECONDED** by Richard Costigan and **CARRIED** with a nay vote by JJ Jelincic, the Board approved acceptance of Independent Board Counsel recommendation to adopt the Proposed Decision of Administrative Law Judge (ALJ) for Action Consent Item 5c6 as the Board's own decision.

Bill Slaton recused himself from the following vote due to his position as President of the Sacramento Municipal Utility District Board, and left the room.

On **MOTION** by Priya Mathur, **SECONDED** by Richard Costigan and **CARRIED**, the Board approved acceptance of Independent Board Counsel recommendation to adopt the Proposed Decision of Administrative Law Judge (ALJ) for Action Consent Item 5c13 as the Board's own decision.

Bill Slaton returned to the meeting at this time.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

- a. Annual Calendar Review
- b. Board Meeting Calendar
- c. Draft Agenda for March 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 Tuesday, February 19, 2013.

Henry Jones was elected Chair and George Diehr was elected Vice Chair.

Additional information may be found in the February 19, 2013 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for March 18, 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 Wednesday, February 20, 2013.

Priya Mathur was elected Chair and George Diehr was elected Vice Chair.

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

- Approval of staff's recommendation to adopt a Support position on Senate Bill (SB) 13 because it would clarify ambiguities and correct defects in recently enacted pension reform statutes and would assist the California Public Employees' Retirement System (CalPERS) staff in the implementation of pension reform and in the orderly and efficient administration of the System.
- Approval of staff's recommendation to sponsor legislation to add and amend certain sections of the Government Code administered by the Board of Administration (Board) of CalPERS to clarify ambiguities and to better conform these provisions to the newly enacted pension reform statutes.

On **MOTION** by Committee and **CARRIED** with one abstention by Howard Schwartz on behalf of CalHR, the Board approved the following:

- Approval of staff's recommendation to approve the proposed six regulations and the initiation of the rulemaking process to rename Article 6 to "Public Employees' Pension Reform Implementation" and the addition of sections 579, 579.1, 579.2, 579.4, 579.5, and 579.24 to Chapter 2 of Division 1 of Title 2 of the California Code of Regulations. (Attachment 1 to the Agenda materials)

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

- Approval of staff's recommendation to approve benefit design and pricing for the LTC4 product offering; set a continuous open application for the CalPERS Long-Term Care (LTC) Program to begin December 2013; and, to sponsor legislation to extend eligibility to adult children and other qualified persons by amending the Long-Term Care Act.
- Approval of staff's recommendation to adopt the proposed Health Benefit Purchasing and Data Availability Resolution. (Attachment 2 to the Agenda materials)

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

- Approval of staff's recommendation to adopt proposed regulations permitting the CalPERS Board to implement risk adjustment procedures in order to adjust health plan payments in relation to risk adjustment and implement risk adjustment for 2014 rate negotiations. (Attachment 3 to the Agenda materials)

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

- Approval of staff's recommendation to adopt proposed regulations to provide the CalPERS Board flexibility to offer Medicare supplemental health plans from the same or different carriers that provide basic coverage. (Attachment 4to the Agenda materials)

Additional information may be found in the February 20, 2013 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for March 19, 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, February 20, 2013.

George Diehr was elected Chair and Richard Costigan was elected Vice Chair.

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

- Approval of the Notice of Election and Schedule of Events for the 2013 CalPERS Board of Administration Member-At-Large Election.
- Approval of the extension of the CalPERS Learning Management System, Saba Software contract, currently set to expire October 8, 2013, for up to three years.

Additional information may be found in the February 20, 2013 Agenda materials and transcripts of the Committee meeting.

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

d. Performance, Compensation and Talent Management Committee

Dan Dunmoyer, Chair, Performance, Compensation and Talent Management Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, February 19 and Wednesday, February 20, 2013.

Dan Dunmoyer was elected Chair and Michael Bilbrey was elected Vice Chair.

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

- Approval of the proposed changes to the Compensation Policies and Procedures for Executive and Investment Management Positions that will align the Policy with the changes made to the Board's governance structure and revised CEO and CIO Delegations of Authority.
- Approval for staff to conduct a comprehensive salary survey of all positions covered under the Board's Executive Compensation Policies and Procedures.

e. Risk and Audit Committee

The Committee did not meet in February.

f. Board Governance Committee

The Committee did not meet in February.

AGENDA ITEM 8 – 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, pension reform and other issues.
- Media outreach, including a meeting with the Monterey County Editorial Board during the January Board offsite.
- CalPERS new Pension Buck.
- Technology improvements in the auditorium to support Board meeting webcasts.
- Public Records Act request volume and staff training.
- CalPERS Ambassador Program.

- SB 215 (Beall).
 - Possible state legislation regarding biogeneric drugs.
 - Meet-and-greet meetings between CalPERS staff and members of the state PERS Committees.
- b. Tom Lussier, CalPERS Federal Liaison, provided updates on federal legislation and reported on the following:
- Tax reform as it relates to pension and retirement related tax provisions.
 - FDA approval of biosimilar drugs.
 - Recent staff activities in support of financial regulatory reform.

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 Open Session meeting adjourned at 9:57 a.m.

The next Board of Administration meeting is scheduled for March 20, 2013 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer