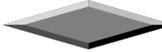


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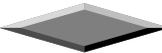
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**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION**

**MINUTES OF MEETING**

**Wednesday, October 16, 2013**

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The Board of Administration met on Wednesday, October 16, 2013 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:03 a.m. and the following members were present:

Rob Feckner, President  
George Diehr, Vice President  
Michael Bilbrey  
Greg Beatty for Julie Chapman  
Terry McGuire for John Chiang  
Richard Costigan  
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 congratulated Mr. Jelincic and Mr. Bilbrey on their re-election to the board.

President Feckner recognized CalPERS Dress the DEO in Pink event which raised over \$12,000 for the Susan G. Komen Breast Cancer Foundation.

President Feckner also announced that CalPERS will be recognizing our veterans in November with a special video featuring CalPERS employees that served or are currently serving in the armed forces. There will also be a Wall of Honor featuring the names of CalPERS military – veterans or active duty – available near the café for anyone to sign and provide a personal message to our veterans.

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

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

Anne Stausboll reported on the following:

Ms. Stausboll congratulated our newly re-elected board members, Mr. Jelincic and Mr. Bilbrey.

A proposed statewide ballot initiative was filed by the city mayors of San Jose, Pacific Grove, San Bernardino, Santa Ana, and Anaheim. This initiative would amend the State Constitution to allow prospective changes to current government employee's pension and retiree health care benefits. CalPERS issued a response articulating CalPERS fiduciary duty to deliver promised pension benefits.

All three of CalPERS sponsored bills were signed by the Governor.

Open enrollment period ended last Friday and has gone smoothly.

CalPERS is preparing for the annual Educational Forum scheduled for October 21-23. There are over 650 registered – mostly representatives from contracting employers. There are over 30 educational sessions planned and over 25 exhibits for attendees to explore.

CalPERS is launching its Pension Beliefs Project by holding a series of workshops to develop those beliefs. Today's workshop will be the first of those and features Dana Bilyeu.

CalPERS is also continuing a series of workshops and educational session on the Asset Liability Management model. There will be a two-day workshop November 12 and 13.

CalPERS kicked off the 2013 California State Employees Charitable Campaign and raised approximately \$3,400. Upcoming events include the Chili Cook-Off on October 31. Ms. Stausboll thanked Katie Hagen and Tim Taylor for chairing this campaign.

Ms. Stausboll recognized the agents in our Customer Contact Center. These agents assist our members and employers every day with applying for retirement, solving problems, reporting payroll and updating account information. Last year the CalPERS Customer Contact Center received over a million phone calls.

b. Chief Investment Officer Report

Joe Dear, Chief Investment Officer, reported on the following:

City of Richmond is considering a proposal to use Eminent Domain to condemn mortgages and subsequently use financing tools to allow homeowners to refinance and maintain their homes with the original mortgage holder absorbing the loss for the condemned mortgages. The media has erroneously reported that CalPERS was part of a group of investment managers opposing the Richmond city action. CalPERS has not opposed this action.

At the close of business last night, the total fund stood at \$271.4 billion. The condition of the portfolio is the same as has been reported in previous months – CalPERS has over-weights in global equity and cash and underweight in private equity, real estate, infrastructure, and forest land. The two percent cash overlay that was financing the Absolute Return Strategies portfolio was cut in half and CalPERS is looking to cut that off by the end of the year.

At 9:18 a.m. the meeting was recessed into Closed Session. The meeting reconvened in open session at 10:46 a.m.

## **AGENDA ITEM 5 – CONSENT ITEMS**

### **Action Consent Items:**

- a. Approval of September 2013 Meeting Minutes
- b. Board Travel Approvals

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

## **AGENDA ITEM 6 – CONSENT ITEMS**

### **Information Consent Items:**

- a. Board Meeting Calendar
- b. Draft Agenda for November 2013 Meeting

c. 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 14, 2013.

Additional information may be found in the October 14, 2013 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for November 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 Tuesday, October 15, 2013.

On **MOTION** by Committee and **CARRIED** the Board approved the June 30, 2013, actuarial valuation report for the Long-Term Care (LTC) Program.

On **MOTION** by Committee and **CARRIED**, the Board approved the termination of the Southern Inyo Healthcare District Contract for Public Employee' Medical and Hospital Care Act benefits effective October 31, 2013, pursuant to Government Code Section 22939.

Additional information may be found in the October 15, 2013 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for November 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 Tuesday, October 15, 2013.

On **MOTION** by Committee and **CARRIED** with one abstention by JJ Jelincic, the Board approved executing the Generation 3 Health Care Decision Support System five-year contract with a total estimated value of \$18.3 million. The contract was awarded to Milliman, Inc., on August 30, 2013, based on a competitive procurement.

Additional information may be found in the October 15, 2013 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for November 19, 2013 in Sacramento, California.

d. Performance, Compensation and Talent Management Committee

Michael Bilbrey, Chair, Performance, Compensation and Talent Management Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, October 15, 2013.

On **MOTION** by Committee and **CARRIED** with one abstention by JJ Jelincic, the Board approved the updated Policy that reflects the revised comparator group and salary ranges for covered Investment Management positions.

Additional information may be found in the October 15, 2013 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for the week of November 18, 2013 in Sacramento, California.

e. Risk and Audit Committee

The Committee did not meet in October.

f. Board Governance Committee

The Committee did not meet in October.

## **AGENDA ITEM 8 – PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGES**

On **MOTION** by George Diehr, and **CARRIED**, the Board approved acceptance of Independent Board Counsel to set Agenda Item 8a for a full Board hearing only on the issue of whether staff is estopped from denying a member reciprocity for the 12.25 years that they served on the Cudahy City Council.

On **MOTION** by George Diehr, **SECONDED** by Michael Bilbrey and **CARRIED**, the Board approved acceptance of Independent Board Counsel recommendation to adopt the Proposed Decisions of Administrative Law Judges (ALJ) for Agenda Items 8b through 8d in their entirety, as the Board's own decisions.

## **AGENDA ITEM 9 – PETITIONS FOR RECONSIDERATION**

On **MOTION** by George Diehr, **SECONDED** by Henry Jones and **CARRIED**, the Board approved acceptance of the recommendations of independent Board counsel and deny the petitions for reconsideration at Agenda Items 9a and 9b.

## **AGENDA ITEM 10 – DESIGNATION OF PRECEDENTIAL DECISION – ROBERT VANDERGOOT**

On **MOTION** by George Diehr, **SECONDED** by Henry Jones and **CARRIED** with one abstention by Greg Beatty, the Board approved acceptance of the recommendations of independent Board counsel and designate it as precedential the Board's final decision at Agenda Item 10.

## **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:

San Jose Mayor, Chuck Reed submitted his pension reform initiative to the Attorney General's office along with mayors from San Bernardino, Santa Ana, Anaheim, and Pacific Grove. This proposal would amend the California State Constitution to allow prospective changes to government employees' pensions and retiree health care benefits. CalPERS will follow the progress of this initiative closely.

Last week, an invitation-only conference for pension reform was held at Stanford. On a national level, there continues to be a coordinated effort by the Arnold Foundation and the Pew Center on the States to drive a discussion to disparage defined benefit plans and promote defined contribution or cash balance alternatives.

External Affairs has been gathering feedback on the website user experience, with the goal of improving our external website.

CalPERS co-hosted an event at the State Capitol with the Asian Pacific Islander Capitol Association titled "From CalPERS to the Capitol". This event provided Capitol staff with a high level of information about CalPERS, the pension, health and investment systems, and our governmental relations team.

The Board sponsored three bills and took positions on ten other bills – four support, two opposed unless amended, three neutral, one opposed. The three we sponsored were signed into law by the Governor. Of the four supported bills, two were signed, one vetoed, and one failed to pass. On the two opposed unless amended bills, both were vetoed. Of the three neutral bills, all three were signed. The one bill we opposed failed to pass the legislature.

AB 1222, the PEPRA exception for transit workers was signed by the Governor, and SB 598, relating to biosimilars was vetoed by the Governor.

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

The Pew, Arnold and Urban Institute conference is taking place next week and is being monitored.

Mr. Lussier commended Doug McKeever, Danny Brown and Ann Boynton on their meetings with congressional staff. Along with Mr. Lussier, they spoke on the initiatives in which CalPERS is at forefront – integrating health care and reference pricing, reforming the system and controlling costs while improving quality for members. They also had the opportunity to encourage policy makers to push the FDA along on their approval process for biosimilars and to initiate discussions with potential coalition partners – Families U.S.A., the Business Roundtable, and the National Business Group on Health.

## **AGENDA ITEM 11 – PUBLIC COMMENT**

Norman Worthington, retiree from Northern California Power Agency in Roseville, provided an update of his comment at September's Board meeting. Mrs. Worthington was able to receive her knee replacement surgery from the doctor of her choice thanks to CalPERS assistance. Mr. Worthington gave special recognition to Ann Boynton and Victoria Eberle for their role in securing a swift approval from Blue Shield.

Neal Johnson, representing Service Employees International Local 1000, State Employees, stressed the importance of retirement security for both the public and private sectors.

At 11:33 a.m. the meeting was recessed into Closed Session. At 3:46 p.m. the meeting reconvened in Open Session, when President Feckner recessed the meeting in accordance with Government Code Section 11128.5, to reconvene at a time and location to be specified to finalize health negotiations.

At 3:52 p.m. on Monday, October 21, 2013 the meeting reconvened in San Jose, California. No action was taken during Closed Session.

There being nothing further to come before the Board of Administration, the Open Session meeting adjourned at 4:46 p.m. on Monday, October 21.

The next Board of Administration meeting is scheduled for the week of November 18, 2013 in Sacramento, California.

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ANNE STAUSBOLL  
Chief Executive Officer