


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
Wednesday, April 16, 2014**



The Board of Administration met on Wednesday, April 16, 2014 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:25 a.m. and the following members were present:

Rob Feckner, President
Priya Mathur, Vice President
Michael Bilbrey
Terrence McGuire for John Chiang
Richard Costigan
George Diehr
Richard Gillihan
JJ Jelincic
Ron Lind
Steve Coony for Bill Lockyer
Bill Slaton

Board of Administration Members excused: Henry Jones

**AGENDA ITEM 3 – FEDERAL LEGISLATIVE REPRESENTATIVE FINALIST
INTERVIEW SELECTION**

On **MOTION** by Priya Mathur, **SECONDED** by Michael Bilbrey and **CARRIED**, the Board approved the cancellation of the current solicitation for the federal principal representative, and the federal representative spring-fed pool, and rescinded its approval from the March 19th, 2014 meeting which authorized staff to award contracts to the finalists for the spring-fed pool.

On **MOTION** by Priya Mathur, **SECONDED** by Ron Lind and **CARRIED**, the Board approved renegotiating the fees and extending the Lussier, Gregor, Vienna and Associates contract until the new federal representative contract or contracts are in place, not to exceed a one-year extension.

AGENDA ITEM 4 – PRESIDENT’S REPORT

President Feckner reported on the Emerging Managers Forum on April 1st and thanked Laurie Weir and her staff for all their hard work.

AGENDA ITEM 5 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Ms. Stausboll reported on the following:

- April being Earth month and CalPERS “green” efforts
- CalPERS proxy season
- Upcoming sustainability report
- Research reports produced by the Retirement, Research and Planning Division
- The Institute for Health and Productivity Management Award
- CalPERS is a finalist for the Sacramento Business Journal’s 2014 Healthiest Employer Award
- Upcoming CalPERS Benefits Education Events

Ms. Stausboll recognized the dedicated team of leaders in Operations and Support Services Division, along with staff from Colliers, CalPERS Property Manager, and Compass, our café operator.

Ms. Stausboll also recognized the Green Club.

b. Chief Investment Officer Report

Wylie Tollette, Chief Operating Investment Officer, reported on the portfolio:

The total fund has returned 12.2 percent as of February 28, 2014; it has outperformed the policy benchmark by 45 basis points. The return on our public equity portfolio is 18.1 percent. Our three and five year returns are 9.5 percent and 13.3 percent. Ten-year return is 6.7 percent. Our twenty-year return, however, is a solid 7.9 percent, and our since-inception return is 8.77 percent. All of our assets are currently within their policy ranges. Total fund assets as of February 24, 2014 were \$285.2 billion.

AGENDA ITEM 6 – CONSENT ITEMS

Action Consent Items:

- a. Approval of March 2014 Meeting Minutes
- b. Board Travel Approvals
- c. Revisions to Committee Delegations

On **MOTION** by Priya Mathur, **SECONDED** by Ron Lind and **CARRIED**, the Board approved Action Consent Item 6a through 6c.

AGENDA ITEM 7 – CONSENT ITEMS

Information Consent Items:

- a. Board Meeting Calendar
- b. Draft Agenda for May 2014 Meeting
- c. General Counsel's Report

AGENDA ITEM 8 – COMMITTEE REPORTS AND ACTIONS

- a. Investment Committee

George Diehr, Vice Chair, Investment Committee, presented the Committee Summary report to the Board. The Committee met on Monday, April 14, 2014.

Additional information may be found in the April 14, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for May 19, 2014 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, April 15, 2014.

On **SUBSTITUTE MOTION** by Michael Bilbrey, and **SECONDED** by Priya Mathur, and **CARRIED**, with a roll call vote, the Board approved draft regulation defining pensionable compensation for publication and the initiation of the rulemaking process, with the exception of removing Temporary Upgrade Pay compensation item, and rearranging the items under Premium Pay to be alphabetized into one group, as reflected in the revised document.

Roll call vote Item 5:

Yes - Michael Bilbrey, Ron Lind, Steve Coony for Lockyer, Terry McGuire for Chiang, JJ Jelincic, and Priya Mathur.

No - Richard Gillihan, Richard Costigan, George Diehr, and Bill Slaton.

Henry Jones was excused and President Feckner did not vote.

Public Comment

Meagan Brightwell, on behalf of the California Professional Firefighters, spoke on the proposed pensionable compensation regulation.

On **MOTION** by Committee and **CARRIED**, the Board approved draft regulations to clarify the current California Public Employees' Retirement System member appeals process for publication and initiation of the rulemaking process.

On **SUBSTITUTE MOTION** by Bill Slaton and **SECONDED** by George Diehr, and **DEFEATED**, with a roll call vote, the Board declined to adopt alternative two, which is moving the six counties into the Sacramento Region.

Roll call vote Item 8:

Yes – Richard Gillihan, Richard Costigan, George Diehr, Steve Coony for Lockyer, and Bill Slaton.

No – Michael Bilbrey, Ron Lind, Terry McGuire for Chiang, JJ Jelincic, Priya Mathur, and Rob Feckner.

Henry Jones was excused.

Public Comment

Philip Wright, Director of Administrative Services for the City of West Sacramento, spoke on the regions for health care rates.

Shiela McShane, HR Manager for the City of Woodland, spoke on the regions for health care rates.

On **SUBSTITUTE MOTION** by Bill Slaton, and **SECONDED** by Steve Coony and **CARRIED**, the Board approved to adopt alternative three to include Yolo County in the Sacramento Region.

Additional information may be found in the April 15, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for May, 2014 in Sacramento, California.

c. Finance and Administration Committee

Bill Slaton, Chair, Finance and Administration Committee, presented the Committee Summary report to the Board. The Committee met on Monday, April 14, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved Item 3b, the April 2014 Prospective Report of Solicitations, Contracts, Purchase Orders and Letters of Engagement.

On **MOTION** by Committee and **CARRIED**, the Board approved Item 5a, the 2014-2016 Business Plan as a second reading.

On **MOTION** by Committee and **CARRIED**, the Board approved Item 6a, the proposed CalPERS Fiscal Year 2014-15 Annual Budget Proposal of \$1,862,000 and 2,727 positions, and the approval of the transmittal of the pertinent materials to the appropriate parties as listed in the item.

On **MOTION** by Committee and **CARRIED**, the Board approved Item 7a, the Reimbursement to State, Schools and Public Agency Employers of Elected Board Members Policy.

On **MOTION** by Committee and **CARRIED**, with JJ Jelincic voting no, the Board approved Item 7b, the elected Board Member percentages of time spent on Board related duties for Fiscal Year 2014-2015.

On **MOTION** by Committee and **CARRIED**, the Board approved Item 8a, the employer and member contribution rates for state and schools for the period July 1, 2014 to June 30, 2015 as detailed in the agenda item.

Additional information may be found in the April 14, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for May, 2014 in Sacramento, California.

d. Performance, Compensation and Talent Management Committee

The Committee did not meet in April.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for May 2014 in Sacramento, California.

e. Risk and Audit Committee

The Committee did not meet in April.

The next meeting of the Risk and Audit Committee is scheduled for June, 2014 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet in April.

The next meeting of the Board Governance Committee is scheduled for May, 2014 in Sacramento.

AGENDA ITEM 9 – PROPOSED DECISION OF ADMINISTRATION LAW JUDGES

On **MOTION** by Priya Mathur, **SECONDED** by George Diehr and **CARRIED**, the Board approved acceptance of the Independent Board Counsel recommendations and adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 9a through 9i in their entirety as the Board's own decisions.

Public Comment

Greg Rubens, City Attorney for the City of San Carlos, spoke on the matter of the Chief Actuary placing the City of San Carlos in the inactive pool.

Rebecca Mendenhall, Administrative Services Director for the City of San Carlos, spoke on the matter of the City of San Carlos being placed in the inactive pool.

Cepideh Roufougar, with the law firm of Jackson Lewis on behalf of the City of San Carlos, spoke on the matter of the City of San Carlos being placed in the inactive pool.

AGENDA ITEM 10 – PETITIONS FOR RECONSIDERATION

On **MOTION** by Priya Mathur, **SECONDED** by Michael Bilbrey and **CARRIED**, with one abstention by JJ Jelincic on Item 10b, the Board approved acceptance of the Independent Board Counsel to deny the petitions for reconsideration of Agenda Item 10a through 10e.

AGENDA ITEM 11 – EXTERNAL AFFAIRS/STATE AND FEDERAL LEGISLATION

Robert Glazier, Deputy Executive Officer, External Affairs, provided an update on Public Affairs, State Legislation, CalPERS sponsored bills, recent stakeholder meetings and the CalPERS website redesign.

AGENDA ITEM 12 – PUBLIC COMMENT

Harvey Robinson, on behalf of RPEA, spoke on the speaking time limit and the recent combination of the two stakeholders meeting.

L.R. Roberts, member of CSR, CSEA Chapter 2 spoke against the dependent eligibility verification project for the health care program.

There being nothing further to come before the Board of Administration, the Open Session meeting adjourned at 11:58 a.m.

The next Board of Administration meeting is scheduled for May 21, 2014 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer



Meeting Summary

April 16, 2014

The Investment Committee met on April 14, 2014.

The Committee received presentations on:

- The use of interim asset allocation targets for the Public Employees' Retirement Fund and proposed revisions to CalPERS Asset Allocation Strategy Policy.
- The Cost Effectiveness strategic objective of the Investment Office Roadmap, including key cost drivers, trends, accomplishments, and peer comparisons.

The Committee heard public comment on the following topics:

- The Investment Office's continued progress in cost savings initiatives.
- CalPERS accomplishments in environmental, social and governance issues.
- A labor dispute.

Highlights of what to expect at the May Investment Committee meeting include:

- Staff will return with proposed revisions to the Asset Allocation Strategy Policy for action by the Committee.
- Additionally, the Committee will receive updates on the Global Governance Program, the Investment Office Roadmap and the Target Operating Model.

The next meeting of the Investment Committee is scheduled for May 19, 2014 in Sacramento, California.