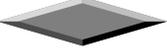


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
Wednesday, May 21, 2014**



The Board of Administration met on Wednesday, May 21, 2014 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:10 a.m. and the following members were present:

Rob Feckner, President
Priya Mathur, Vice President
Michael Bilbrey
Terrence McGuire for John Chiang
Richard Costigan
Richard Gillihan
JJ Jelincic
Henry Jones
Grant Boyken for Bill Lockyer
Bill Slaton

Board of Administration Members excused: George Diehr and Ron Lind

AGENDA ITEM 3 – PRESIDENT'S REPORT

President Feckner congratulated Henry Jones for receiving the Institutional Trailblazers Award by the Toigo Foundation. President Feckner noted CalPERS support for the Susan G. Komen Foundation and the March of Dimes.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Ms. Stausboll reported on the following:

- Congratulated Anne Simpson on her re-election to the Council of Institutional Investors Board,
- The Pension Beliefs which the Board will be voting on later today,

- The Ceres Conference, which Ms. Stausboll recently attended,
- The launch of CalPERS Sustainability Report at the Ceres Conference,
- The retirement of Karen DeFrank, Chief of Customer Account Services Division and Rand Anderson, Chief of CalPERS Affiliate Program Services Division,
- Negotiations with Health Plans in preparation for open enrollment,
- Another successful Benefits Education event (Sacramento) with upcoming events in Visalia and Ontario,
- Customer Service & Outreach Division's move to West Sacramento later this summer,
- Actuarial Office valuation reports,
- Preparations for the upcoming Board Offsite in July,
- Annual Coffees with CalPERS Staff.

Ms. Stausboll recognized Brad Pacheco, Chief of CalPERS Office of Public Affairs, for receiving the State Information Officers Council's Lifetime Achievement Award.

Ms. Stausboll also recognized Lindy Plaza, Diversity Officer and her team. The CalPERS Disability Advisory Committee received second place in the 2014 Association of California State Employees with Disabilities Achievement Award.

b. Chief Investment Officer Report

Ted Eliopoulos, Acting Chief Investment Officer, reported on the portfolio:

As of March 31, 2014 the total fund has returned 13.1 percent, trailing the policy benchmark period by 52 basis points. Public equity returns have been 18.7 percent with the 3-year and 5-year returns at 9.4 percent and 13 percent respectively. The 10-year return is at 6.7 percent and the 20-year return is a solid 8.2 percent. Since-Inception return is 8.77 percent.

All asset class allocations are within policy ranges with the total fund assets at \$288.2 billion.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

a. Approval of April 2014 Meeting Minutes

Board Member Jones requested his attendance be corrected to reflect his excused absence.

Board Member Jelincic requested Item 8b, Pension and Health Benefits Committee Report, be corrected to reflect the roll call vote.

Board Member Jelincic also requested Item 8c, Finance and Administration Committee Report, be corrected to reflect the motion for each item, and FAC Item 7b, should note Jelincic's vote of No.

b. Board Travel Approvals

Two additional travel requests were submitted for JJ Jelincic and Richard Cositigan. Both are attached to these minutes.

On **MOTION** by JJ Jelincic, **SECONDED** by Priya Mathur and **CARRIED**, the Board approved the amended Action Consent Item 5a and Action Consent Items 5b and 5c.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

- a. Board Meeting Calendar
- b. Draft Agenda for June 2014 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, May 19, 2014.

Additional information may be found in the May 19, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for June 16, 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, May 20, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved to adopt CalPERS Pension Beliefs, as amended in Attachment 1. (PHBC Item 5)

On **MOTION** by Committee and **CARRIED** with abstentions by Priya Mathur and Richard Gillihan, the Board approved to adopt a neutral position on Assembly Bill 2582 which provides the San Francisco Bay Area Rapid Transit District (BART) with the flexibility to address its post-retirement health benefits. (PHBC Item 6)

On **MOTION** by Committee and **CARRIED** with one abstention by Richard Gillihan, the Board approved to adopt a support position on Senate Bill 1340 which would provide greater transparency in health care cost and quality for our members. (PHBC Item 7)

On **MOTION** by Committee and **CARRIED**, the Board approved to adopt a support position on Senate Bill 912 which would promote healthy lifestyles for State employees and has the potential to reduce their health care costs by requiring that nutritious food and beverages continue to be offered in vending machines and concessions on State property. (PHBC Item 8)

Following the Committee motion to implement High Performance Generic Step Therapy for CVS Caremark in 2015 (PHBC Item 10) as amended by Henry Jones to add a grandfathering provision and seconded by Bill Slaton, a motion was made by Michael Bilbrey to table the item until the June meeting. Motion to table carried.

Public Comment on PHBC Item 10

Al Darby of RPEA, Nick Smith, Tim Behrens and Steve Kawai spoke on the implementation of High Performance Generic Step Therapy.

Additional information may be found in the May 20, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for June 17, 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 Tuesday, May 20, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved to adopt changes to the risk pooling structure as outlined in the action item with the modification to provide the authority to continue to set the required contribution as a rate as provided in the amended resolution. (FAC Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved selection of Option One, to develop and release Three Single-Award Requests for Proposals (RFPs) for policy-specific Federal Policy Representation services. (FAC Item 6a)

Additional information may be found in the May 20, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for June 17, 2014 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, May 20, 2014.

On **MOTION** by Committee and **CARRIED** with one abstention by Richard Gillihan, the Board approved proposed Compensation Policy revisions to the Rating Scale for Qualitative Performance Measures as presented by staff in Alternative 2, with an amendment by the Committee, to revise the rating category “Does Not Meet Expectations” to “Does Not Meet High Expectations.” (PCTM Item 5)

Public Comment on PCTM Item 5

Neil Johnson, SEIU Local 1000, spoke on the amended proposed Compensation Policy revisions to the Rating Scale for Qualitative Performance Measures.

Additional information may be found in the May 20, 2014 Agenda materials and transcripts of the Committee meeting.

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

e. Risk and Audit Committee

The Committee did not meet in May.

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

f. Board Governance Committee

Priya Mathur, Vice Chair, Board Governance Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, May 20, 2014.

On **MOTION** by Committee and **CARRIED** with one abstention by Richard Gillihan, the Board approved a support position on Assembly Bill 1163, which is consistent with the CalPERS Board of Administration Education Policy. (GOV Item 5)

Additional information may be found in the May 20, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Board Governance Committee is scheduled for September 16, 2014 in Sacramento.

AGENDA ITEM 8 – PROPOSED DECISION OF ADMINISTRATION LAW JUDGES

On **MOTION** by Priya Mathur, **SECONDED** by Michael Bilbrey 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 8a through 8f as the Board's own decisions with a minor correction to Agenda Item 8b as argued by staff.

AGENDA ITEM 9 – PETITIONS FOR RECONSIDERATION

On **MOTION** by Priya Mathur, **SECONDED** by Henry Jones and **CARRIED**, the Board approved to accept the recommendation of the Independent Board Counsel to deny the petition for reconsideration on Agenda Item 9a.

AGENDA ITEM 10 – EXTERNAL AFFAIRS/STATE AND FEDERAL LEGISLATION

Robert Glazier, Deputy Executive Officer, External Affairs, provided an update on activity in the media, promoting the long-term care program, stakeholder outreach activities, and legislative updates.

AGENDA ITEM 11 – PUBLIC COMMENT

There were no public comments.

There being nothing further to come before the Board of Administration, the Open Session meeting adjourned at 10:11 a.m.

The next Board of Administration meeting is scheduled for June 18, 2014 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer

Attachments:

1. Jelincic travel request to Infrastructure Investor Emerging Markets Forum in London - 10/16-31/2014.
2. Costigan travel request to Infrastructure Investor Emerging Markets Forum in London - 10/16-31/2014.



Board of Administration
California Public Employees' Retirement System

Agenda Item 5b

May 21, 2014

ITEM NAME: Board Travel Approvals

PROGRAM: Board of Administration

ITEM TYPE: Action Consent

RECOMMENDATION

Approve travel requests as required under the Board of Administration's travel policy.

Over \$500/Out of State/Country Travel Requests Approved by Board President:

Board Member	Date	Destination	Purpose of Travel
Richard Costigan	5/20/14 – 5/25/14	Vancouver, British Columbia	2014 International LNG (Liquefied Natural Gas) Conference
Priya Mathur	6/5/14 – 6/10/14	Cambridge, MA	Harvard Kennedy School Trustee Leadership Forum
JJ Jelincic	7/20/14 – 7/26/14	Chicago, IL	LIUNA Public Employee Conference
Priya Mathur	9/19/14 – 9/27/14	Montreal, Canada	PRI Board and Advisory Council Meetings
JJ Jelincic	10/16/14 – 10/31/14	London	Infrastructure Investor Emerging Markets Forum
Richard Costigan	10/20/14 – 10/25/14	London	Infrastructure Investor Emerging Markets Forum

Rob Feckner, President
Board of Administration



Meeting Summary

May 21, 2014

The Investment Committee met on May 19, 2014.

The Committee approved the following:

- Revision of the Statement of Investment Policy for Asset Allocation Strategy including the use of interim allocation targets.
- Amendments to the CalPERS Global Principles of Accountable Corporate Governance, on Board Independence & Leadership, Executive Compensation, Risk Oversight and Shareowner Rights principles.
- Revision of the Statement of Investment Policy for Insider Trading to reflect CalPERS current practices regarding dissemination of the Restricted Company list and conform the definition of Restricted Person as used in the Policy to the definition of Covered Person as used in the CalPERS Personal Trading Regulation.

The Committee received presentations on:

- The key initiatives and accomplishments of the Global Governance Program, including the release of the Towards Sustainable Investment & Operations: Making Progress Report.
- Accomplishments and upcoming initiatives of the Investment Office Roadmap and Target Operating Model.

The Committee heard public comment on:

- CalPERS efforts to increase retirement security.

Highlights of what to expect at upcoming Investment Committee meetings:

- In June, the Committee will receive updates on the Investment Compliance and Operational Risk Program and Targeted Investment Programs, including the 2013 CalPERS for California Report.

The next meeting of the Investment Committee is scheduled for June 16, 2014 in Sacramento, California.