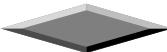


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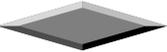


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**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION**

**MINUTES OF MEETING  
Wednesday, August 20, 2014**

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The Board of Administration met on Wednesday, August 20, 2014 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:00 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  
Dana Hollinger  
JJ Jelincic  
Henry Jones  
Ron Lind  
Grant Boyken for Bill Lockyer  
Bill Slaton

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

President Feckner reported on last month’s offsite Board meeting and CalPERS’ achievements and progress made in the first two years of the five-year strategic plan. President Feckner thanked everyone for their valuable contributions. President Feckner noted the very important election for two seats on the Board and the successful CalPERS night at the River Cats Game.

**AGENDA ITEM 4 – EXECUTIVE REPORTS**

a. Chief Executive Officer Report

Ms. Stausboll reported on the following:

- The CalPERS CFO Conference,
- The Annual Employer Educational Forum,
- Open Enrollment dates for Health Benefits,
- The State and Public Agency Board Member Election and the Candidates Forum on September 16, 2014,
- The Annual Report for the 2012-17 Strategic Plan,
- The Comprehensive Annual Financial Report (CAFR),
- The Career and Educational Fair held for CalPERS employees,
- The Global Chef Challenge held by the Diversity office,
- And the Annual All-Staff forums.

Ms. Stausboll noted the recognition CalPERS recently received for environmental stewardship.

Ms. Stausboll also recognized and thanked the Employer Education Team within the Customer Services and Outreach Division.

b. Chief Investment Officer Report

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

As of June 30, 2014 the total fund has returned 18.4 percent, outperforming the policy benchmark period by 44 basis points. Public equity returns have been 24.8 percent and private equity returning 20 percent during the fiscal year. The 3-year return is 10.4 percent and the 5-year return is at 12.5 percent. The 10-year return is at 7.2 percent and the 20-year return of the total fund is 8.4 percent.

All asset class allocations are within policy ranges with the total fund assets at \$300.3 billion.

## **AGENDA ITEM 5 – CONSENT ITEMS**

### **Action Consent Items:**

#### a. Approval of June 2014 Meeting Minutes

Mr. Henry Jones presented a clarification of the June Board of Administration minutes, Agenda Item 7b. PHBC Agenda Items 5a and 5b included a benefit change to implement High Performance Generic Step Therapy with Selective Therapeutic Class Grandfathering. Under Selective Therapeutic Class Grandfathering, current utilizers of targeted medications in six categories, shown shaded on the attached chart (Attachment 1), would be selectively grandfathered to continue on the brand name if there is a filled prescription for that medication between October 1, 2014 and December 31, 2014. A new prescription for the targeted brand with a different dose or any new prescription for a different targeted brand in the same therapeutic class is not eligible for continued Selective Grandfathering.

On **MOTION** by Henry Jones, **SECONDED** by Priya Mathur and **CARRIED**, the Board approved adoption of the amended June 2014 Meeting Minutes, Action Consent Item 5a.

#### b. Board Travel Approvals

An amended travel request was submitted for Richard Costigan and Rob Feckner. The request is attached to these minutes. (Attachment 2)

On **MOTION** by Ron Lind, **SECONDED** by Priya Mathur and **CARRIED**, the Board approved the amended Action Consent Item 5b.

## **AGENDA ITEM 6 – CONSENT ITEMS**

### **Information Consent Items:**

- a. Board Meeting Calendar
- b. Draft Agenda for August 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, August 18, 2014.

The Committee approved the selection of Courtland Partners, Meketa Investment Group, and Step Stone Group for interviews in September 2014 for the Role of Board Infrastructure Consultant. The Committee also approved the modification of the proposed rule relating to the External Investment Resource Conflict of Interest Policy to include a definition of form ADV, and if no further public comment is received, for the final rule to be submitted to the Office of Administrative Law for finalization.

Additional information may be found in the August 18, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for September 15, 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, August 19, 2014.

The Committee conducted a Public Hearing to accept public testimony and comments on the proposed regulations. The Hearing commenced at 9:30 a.m. in the Auditorium at CalPERS Headquarters, Lincoln Plaza North, Sacramento, California. During the hearing the Committee received six public comments. The hearing was adjourned at 9:48 a.m.

On **SUBSTITUTE MOTION** by Richard Gillihan, **SECONDED** by Bill Slaton and **FAILED**, with a roll call vote, the Board denied to adopt the staff recommendation to approve the proposed regulation defining pensionable compensation for submission to the Office of Administrative Law with the following change of taking the issue of temporary upgrade pay and moving it to the non-reportable non-PERSable category. (PHBC Item 5)

**Roll Call Vote PHBC Item 5:**

<b>Board Member</b>	<b>Yes</b>	<b>No</b>
Priya Mathur		x
Michael Bilbrey		x
Terrence McGuire for John Chiang		x
Richard Costigan	x	
George Diehr	x	
Richard Gillihan	x	
Dana Hollinger	x	
J.J. Jelincic		x
Henry Jones		x
Ron Lind		x
Grant Boyken for Bill Lockyer		x

Bill Slaton	x	
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President Feckner did not vote.

On **MOTION** by Committee and **CARRIED**, by a roll call vote, the Board approved the Committee’s recommendation to approve the proposed regulation defining pensionable compensation for submission to the Office of Administrative Law. (PHBC Item 5)

**Roll Call Vote PHBC Item 5:**

<b>Board Member</b>	<b>Yes</b>	<b>No</b>
Priya Mathur	x	
Michael Bilbrey	x	
Terrence McGuire for John Chiang	x	
Richard Costigan		x
George Diehr		x
Richard Gillihan		x
Dana Hollinger		x
J.J. Jelincic	x	
Henry Jones	x	
Ron Lind	x	
Grant Boyken for Bill Lockyer	x	
Bill Slaton		x

President Feckner did not vote.

Public Comment

David Miller spoke on pensionable compensation.

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed regulations to clarify the current CalPERS member appeals process when they are dissatisfied with any action or failure to act in connection with their or a family members health coverage. (PHBC Item 6)

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

The next meeting of the Pension and Health Benefits Committee is scheduled for September 16, 2014 in Sacramento, California.

c. Finance and Administration Committee

The Committee did not meet in August.

The next meeting of the Finance and Administration Committee is scheduled for September 16, 2014 in Sacramento, California.

d. Performance, Compensation and Talent Management Committee

The Committee did not meet in August.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for September 16, 2014 in Sacramento, California.

e. Risk and Audit Committee

The Committee did not meet in August.

The next meeting of the Risk and Audit Committee is scheduled for September 16, 2014 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet in August.

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 Grant Boyken 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 8k as the Board's own decisions as argued by staff, including the minor clerical corrections to Agenda items 8a and 8f.

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

On **MOTION** by Priya Mathur, **SECONDED** by Grant Boyken and **CARRIED**, the Board approved to accept the recommendation of the Independent Board Counsel to deny the petitions for reconsideration under Agenda Items 9a and 9b.

## **AGENDA ITEM 10 – SELECTION OF FIDUCIARY COUNSEL FIRMS FOR INTERVIEWS**

Matt Jacobs, General Counsel, recommended the Board interview the two top candidates, Klausner Kaufman Firm and The ReedSmith Firm.

On **MOTION** by J.J. Jelincic, **SECONDED** by Priya Mathur and **CARRIED**, the Board approved to interview three fiduciary counsel firms: The Klausner Kaufman Firm, The ReedSmith Firm, and the Reinhart Firm.

## **AGENDA ITEM 11– EXTERNAL AFFAIRS/STATE AND FEDERAL LEGISLATION**

Robert Glazier, Deputy Executive Officer, External Affairs, provided an update on the upcoming Board election, stakeholder outreach activities, state legislative activities, federal affairs, and Public Records Act requests.

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

No public comments made.

There being nothing further to come before the Board of Administration, the Open Session meeting adjourned at 10:01 a.m.

The next Board of Administration meeting is scheduled for September 17, 2014 in Sacramento, California.

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ANNE STAUSBOLL  
Chief Executive Officer

### Attachments:

1. Customized CalPERS High Performance Generic Step Therapy (HPGST) Proposal: Estimated 2015 Member Impact\* with No Grandfathering, Selective Grandfathering, and Full Grandfathering for 15 Drug Classes
2. Amended Board Travel Approvals for Richard Costigan, 8/23-27/14 and Rob Feckner, 9/2-4/14.

**Customized CalPERS High Performance Generic Step Therapy (HPGST) Proposal: Estimated 2015 Member Impact\* with No Grandfathering, Selective Grandfathering, and Full Grandfathering for 15 Drug Classes**

Condition Treated	Drug Class (Examples of Targeted Brands)	Potential additional labs, physician visits, or other monitoring	Steps	No Grandfathering*	Selective Grandfathering*	Full Grandfathering*
Depression	SNRIs (e.g., Pristiq)	Possible additional physician visits	One	2,092	0	0
Depression	SSRIs (e.g., Viibryd)	Possible additional physician visits	One	369	0	0
Glaucoma	Prostaglandin Analogs (e.g., Lumigan)	Intraocular pressure check	One	433	0	0
High Blood Pressure	ACEs/ARBs (e.g., Micardis HCT, Tekturna/Tekturna HCT)	Blood pressure should be monitored regularly	Two	812	0	0
High Cholesterol	Fibrates (e.g., Fenoglide)	Cholesterol and triglyceride blood checks	One	94	0	0
High Cholesterol	Statins (e.g., Crestor - excluding 40 mg, Simcor, Vytorin)	Liver function and cholesterol blood checks	One	2,884	0	0
Acid Reflux	PPIs (e.g., Nexium, Prilosec Packets)	None	Two	4,232	4,232	0
Acne	Anti-Acne Medications (e.g., Akne-Mycin)	None	One	407	407	0
Allergy	Nasal Steroids (e.g., Beconase AQ, Omnaris)	None	One	645	645	0
Headache	Triptans (e.g., Axert, Frova, Relpax)	None	One	422	422	0
Insomnia	Hypnotics (e.g., Edluar, Intermezzo)	None	One	457	457	0
Osteoporosis	Bisphosphonates (e.g., Fosamax Plus D)	None	One	76	76	0
Pain	Cox-2 Inhibitors/NSAIDs (e.g., Celebrex, Flector, Pennsaid, Voltaren Gel)	None	Two	2,541	2,541	0
Prostate Enlargement	Alpha-Reductase Inhibitors (e.g., Avodart, Jalyn)	None	One	450	450	0
Urinary Incontinence	Urinary Antispasmodics (e.g., Toviaz, Vesicare)	None	Two	535	535	0
<b>Total</b>				<b>16,449</b>	<b>9,765</b>	<b>0</b>

\* That is, the estimated number of members taking the targeted brands as of 12/31/2014 who would be subject to HPGST on 01/01/2015.

Source of opinions in "Potential additional labs, physician visits, or other monitoring" column: CVS/caremark and CalPERS clinical staff, May 2014. Source of estimated member impacts in "No Grandfathering" and "Selective Grandfathering" scenarios: CVS/caremark, May 2014.



**Board of Administration**  
California Public Employees' Retirement System

**Agenda Item 5b**

August 20, 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:

<b>Board Member</b>	<b>Date</b>	<b>Destination</b>	<b>Purpose of Travel</b>
Richard Costigan	8/23/14 – 8/27/14	Aspen, CO	Panelist at World Pension Forum Conference
Rob Feckner	9/2/14 – 9/4/14	San Diego, CA	Attend The Future of Corporate Reform – GMI Ratings' 2014 Public Funds Forum

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Rob Feckner, President  
Board of Administration



## Meeting Summary

August 20, 2014

The Investment Committee met on August 18, 2014.

### **The Committee discussed and approved:**

- Selection of Courtland Partners, Meketa Investment Group, and StepStone Group for interviews in September 2014, for the role of Board Infrastructure Consultant
- Modification of the proposed rule relating to the External Investment Resource Conflict of Interest Policy to include a definition of Form ADV, and if no further public comment is received, for the final rule to be submitted to the Office of Administrative Law for finalization.

### **The Committee received presentations on:**

- Performance and risk profiles of the Public Employees' Retirement Fund and Affiliate Funds as of June 30, 2014.
- Strategic asset allocation analysis and preliminary recommendations for four of CalPERS' Affiliate Funds.
- An update on Integration of CalPERS Investment Beliefs within the Investment Office, including enhancements to board reporting as well as new staff orientation and communication programs.
- Global Governance Program initiatives on Financial Markets Reform and Environmental, Social, and Governance Integration work streams.

### **The Committee heard public comment on the following topics:**

- Two labor disputes, and
- Support for CalPERS' California infrastructure investments and work in ESG initiatives.

### **Highlights of what to expect at upcoming Investment Committee meetings:**

- In September, the Committee will conduct interviews for the Infrastructure Board Consultant and identify the Private Equity Board Consultant finalists for interview.
- Additionally, the Committee will receive the annual program review for the Global Equity Program.

The next meeting of the Investment Committee is scheduled for September 15, 2014 in Sacramento, California.