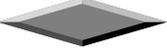


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION**

**MINUTES OF MEETING
Wednesday, September 17, 2014**



The Board of Administration met on Wednesday, September 17, 2014 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:26 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
Steve Coony for Bill Lockyer
Bill Slaton

AGENDA ITEM 3 – PRESIDENT’S REPORT

President Feckner reported on the successful Board election candidate’s forum and urged our members from the State and public agencies to vote.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Ms. Stausboll reported on the following:

- Open Enrollment period for Health Benefits,

- The Annual Employer Educational Forum,
- The Comprehensive Annual Financial Report (CAFR),
- The Annual California State Employees Charitable Campaign,
- And the CalPERS CFO Conference.

Ms. Stausboll recognized our dedicated business and technology security team, the CalPERS Cyber Warriors, for their very important work in protecting CalPERS from malicious attacks and for mitigating security risk.

b. Chief Investment Officer Report

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

As of July 31, 2014 the total fund has returned 14.05 percent, outperforming the policy benchmark period by 41 basis points. Public equity returns have been 16.83 percent and private equity returns were 19.58 percent during the one-year period. The 3-year return is 10.2 percent and the 5-year return is at 11.2 percent. The 10-year return is at 7.3 percent and the 20-year return of the total fund is 8.3 percent.

All asset class allocations are within policy ranges with the total fund assets valued at \$298 billion.

Mr. Eliopoulos reported on the review of the Absolute Return Strategies and it was determined it is no longer warranted as an investment strategy within the portfolio. Mr. Eliopoulos recognized and thanked Curtis Ishii, Ed Robertiello and the entire Absolute Return Strategies staff for their professionalism and cooperation during the review.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- a. Approval of August 2014 Meeting Minutes
- b. Board Travel Approvals

On **MOTION** by Henry Jones, **SECONDED** by Priya Mathur and **CARRIED**, the Board approved Action Consent Item 5a and 5b.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

- a. Board Meeting Calendar
- b. Draft Agenda for October 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, September 15, 2014.

The Committee discussed and approved the engagement of StepStone Group LP for the role of Infrastructure Board Consultant, pending successful contract negotiations; selection of Albourne America, LLC, Meketa Investment Group, and Pension Consulting Alliance as finalists for the interviews for the role of Private Equity Board Consultant; and recommendations of policy portfolios to the CalPERS Board of Administration for consideration and action, for the following Affiliate Funds:

- Judges' Retirement System
- Judges' Retirement System II
- Legislators' Retirement System and
- California Employees' Retiree Benefit Trust

Additionally, the Committee met in closed session and Ted Eliopoulos, Interim Chief Investment Officer and Curtis Ishii, Senior Investment Officer for Fixed Income, presented the conclusion of staff's review of the Absolute Return Strategies program and staff's conclusion to eliminate the program.

The Investment Committee voted to unanimously to support the decision. We believe this is in the best interests of our members and our employers. It reduces costs and complexity in our investment portfolio.

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

The next meeting of the Investment Committee is scheduled for October 13, 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, September 16, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved the initiation of the regulatory process to clarify health enrollment eligibility standards for a parent-child relationship. (PHBC Item 5)

Additional information may be found in the September 16, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for October 14, 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, September 16, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved the transmittal letter and submission of the year-end budget and expenditure report for the fiscal year 2013-14 to the Joint Legislative Budget Committee, Fiscal Committees of the Legislature, State Controller, and Department of Finance, in accordance with the 2013 Budget Act, and to the Legislative Analyst's Office, Government Operations Agency, and the Office of the Legislative Counsel. (FAC Item 3b)

Additional information may be found in the September 16, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Finance and Administration Committee is scheduled for October 14, 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, September 16, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved the revised Executive Compensation Policy. (PCTM Item 3b)

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for October 14, 2014 in Sacramento, California.

e. Risk and Audit Committee

George Diehr, Chair, Risk and Audit Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, September 16, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved the release of the Request for Proposal seeking an external firm to provide parallel actuarial valuation and certification services to the Board of Administration, and approve the draft services to be provided, minimum qualifications, proposal evaluation process, and proposal valuation sheet. (RAC Item 5a)

The next meeting of the Risk and Audit Committee is scheduled for November 18, 2014 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet in September.

The next meeting of the Board Governance Committee is scheduled for November 18, 2014 in Sacramento.

AGENDA ITEM 8 – PROPOSED DECISION OF ADMINISTRATION LAW JUDGES

On **MOTION** by Richard Costigan, **SECONDED** by Priya Mathur 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 8b through 8e, 8g and 8i through 8l in their entirety, as the Board's own decisions.

On **MOTION** by Priya Mathur, **SECONDED** by Henry Jones and **CARRIED**, the Board approved acceptance of the Independent Board Counsel recommendation and set Item 8a for a full board hearing.

On **MOTION** by Priya Mathur, move to accept the recommendations of our Independent Board Counsel to adopt the proposed decision for Agenda Item 8f in its entirety as the Board's own decision. On **SUBSTITUTE MOTION** by George Diehr, **SECONDED** by Henry Jones and **CARRIED**, the Board approved to set Item 8f for a full board hearing.

On **MOTION** by Priya Mathur, **SECONDED** by Richard Costigan and **CARRIED**, the Board approved acceptance of the Independent Board Counsel recommendation and adopted the proposed decision of Administrative Law Judges (ALJ) for Agenda Item 8h in its entirety, as the Board's own decision.

AGENDA ITEM 9 – BOARD GOVERNANCE AND DELEGATIONS

On **MOTION** by Bill Slaton, **SECONDED** by Priya Mathur and **CARRIED**, with a roll call vote, the Board approved the following reporting structure be implemented: The Chief Investment Officer reports to the Chief Executive Officer; the Board and the Chief Executive Officer share responsibility for hiring, evaluating, and, if necessary, firing the Chief Investment Officer; the Chief Investment Officer shall have periodic meetings with the Board without other staff present.

Roll Call Vote Board Governance and Delegations Item 9:

Board Member	Yes	No
Rob Feckner		
Priya Mathur	x	
Michael Bilbrey		x
Terrence McGuire for John Chiang		x
Richard Costigan	x	
George Diehr	x	
Richard Gillihan	x	
Dana Hollinger	x	
JJ Jelincic		x
Henry Jones		x
Ron Lind	x	
Steve Coony for Bill Lockyer	x	
Bill Slaton	x	

President Feckner did not vote.

AGENDA ITEM 10 – ASSET LIABILITY MANAGEMENT – AFFILIATE FUNDS

The Investment Committee on Monday September 15, 2014, recommended the Board of Administration adopt the proposed policy portfolios for the affiliate funds as outlined in Table 1 of the Investment Committee, Agenda Item 6a, and provided for in Agenda Item 10 of this agenda.

On **MOTION** by Priya Mathur, **SECONDED** by Michael Bilbrey and **CARRIED**, the Board approved to adopt the proposed policy portfolios for the affiliate funds as outlined in Table 1, and as recommended by the Investment Committee and presented as Agenda Item 6a on September 15, 2014.

AGENDA ITEM 11– EXTERNAL AFFAIRS/STATE AND FEDERAL LEGISLATION

Robert Glazier, Deputy Executive Officer, External Affairs, provided an update on stakeholder outreach efforts, Open Enrollment for Healthcare choices, state legislative activities, and the federal Request for Proposals process.

Tom Lussier, CalPERS Federal Liaison, provided updates on the federal legislation.

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 10:17 a.m.

The next Board of Administration meeting is scheduled for October 15, 2014 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer

Attachment:

1. Investment Committee, Agenda Item 6a, Table 1

Investment Committee, Agenda Item 6a, Table 1

Table 1 – Affiliate Fund Recommended Portfolios

Recommended Portfolio	Affiliate Fund
100% Liquidity	Judges' Retirement System (JRS) Fund
P7	Judges' Retirement System II (JRS II) Fund
P2	Legislators' Retirement System (LRS) Fund
P8	California Employers' Retiree Benefit Trust Fund – Strategy 1 (CERBT 1)
P5	California Employers' Retiree Benefit Trust Fund – Strategy 2 (CERBT 2)
P2	California Employers' Retiree Benefit Trust Fund – Strategy 3 (CERBT 3)



Meeting Summary

September 17, 2014

The Investment Committee met on September 15, 2014.

The Committee discussed and approved:

- The engagement of StepStone Group LP for the role of Infrastructure Board Consultant, pending successful contract negotiations.
- Selection of Albourne America LLC, Meketa Investment Group, and Pension Consulting Alliance as finalists for interviews for the role of Private Equity Board Consultant.
- Recommendation of policy portfolios to the CalPERS Board of Administration for consideration and action, for the following Affiliate Funds:
 - Judges' Retirement System
 - Judges' Retirement System II
 - Legislators' Retirement System and
 - California Employees' Retiree Benefit Trust.

Additionally, the Committee met in closed session and Ted Eliopoulos Interim Chief Investment Officer and Curtis Ishii, Senior Investment Officer for Fixed Income presented the conclusion of staff's review of the Absolute Return Strategies program and staff's conclusion to eliminate the program.

The Investment Committee voted unanimously to support the decision. We believe this is in the best interests of our members and employers. It reduces cost and complexity in our investment portfolio.

The Committee received presentations on:

- Global Governance Program initiatives on the Financial Markets Reform and Environmental, Social, and Governance Integration work streams.
- The annual review of the Global Equity Program by staff and Wilshire Associates, the Board's Primary Pension Consultant.
- Proposed changes to the Global Equity Program Policy including the incorporation of the Corporate Governance program and Developmental Investment Fund policies.
- Proposed revision of a number of the Affiliate Funds policies reflecting the strategic asset allocation recommendations to the Board.
- A report by the Primary Pension Consultant on the comparative performance and risk of the Total Fund against a peer universe of public funds.

Highlights of what to expect at upcoming Investment Committee meetings:

- In October, the Committee will conduct interviews for the Private Equity Board Investment Consultant. Additionally, the Committee will receive the annual program review for the Global Fixed Income Programs.

The next meeting of the Investment Committee is scheduled for October 13, 2014 in Sacramento, California.