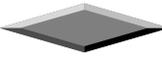


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION**

**MINUTES OF MEETING
Monday, October 13, 2014**



The Board of Administration met on Monday, October 13, 2014 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 2:49 p.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
Henry Jones
Ron Lind
Grant Boyken for Bill Lockyer
Bill Slaton

JJ Jelincic recused himself.

AGENDA ITEM 2 – Full Board Hearing in the appeal of Christine Monsen

At the September 17, 2014 Board meeting, the Board rejected the Administrative Law Judge's proposed decision and scheduled this matter for a full Board hearing on the question of whether the member is entitled to have employer paid deferred compensation included in the calculation of her final compensation.

President Feckner advised that in the current proceeding, no other issues are before the Board and thus, the Board does not have the authority to hear any other issues. Ms. Monsen is the respondent in this matter. Ms. Monsen's former employer is the Alameda County Transit Improvement Authority (ACTIA).

Senior Staff Counsel appearing for CalPERS was Cynthia Rodriguez. Marguerite Seabourn, Assistant Chief Counsel for CalPERS was also present. Zach Wasserman, Attorney with Wendel, Rosen, Black and Dean, represented Ms. Monsen. Anagha

Dandekar Clifford, Attorney with Wendel, Rosen, Black and Dean, also represented Ms. Monsen.

Chirag Shah, the Board's independent counsel on full Board hearings arising from proposed decisions of the OAH, was present to guide and advise the Board in these proceedings.

President Feckner reminded those present that the record from the hearing before the Administrative Law Judge stands as is, but the parties have the opportunity to present oral and written arguments. Ms. Monsen and CalPERS staff had submitted written arguments. President Feckner provided a general outline of the procedures for the hearing and confirmed that all parties received copies of the Statement of Policy and Procedures for Full Board Hearings before the Board.

Mr. Shah provided a brief summary of the case and the substantive facts.

Ms. Rodriguez then presented CalPERS' arguments to reject the Administrative Law Judge's proposed decision and determine that Ms. Monsen's employer paid deferred compensation continues to be prohibited as part of her settlement pay even when re-characterized as payrate.

Mr. Wasserman then presented arguments as to why the challenged pay should be used in calculating Ms. Monsen's retirement benefit.

Ms. Rodriguez presented her rebuttal to Mr. Wasserman's argument.

Mr. Wasserman then presented his rebuttal.

The floor was opened for questions by the Board.

The attorneys were asked questions by the Board members for approximately 30 minutes.

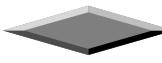
On **MOTION** by George Diehr, **SECONDED** by Richard Costigan and **CARRIED**, the Board moved to closed session at 4:05 p.m.

The public meeting reconvened at 4:22 p.m.

The Board announced that a vote had been taken and unanimously denied Ms. Monsen's appeal.

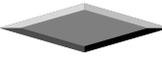
There being nothing further to come before the Board of Administration, the Open Session meeting was adjourned at 4:22 p.m.

ANNE STAUSBOLL
Chief Executive Officer



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

**MINUTES OF MEETING
Wednesday, October 15, 2014**



The Board of Administration met on Wednesday, October 15, 2014 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:02 a.m. and the following members were present:

Rob Feckner, 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
Priya Mathur
Bill Slaton

AGENDA ITEM 3 – PRESIDENT’S REPORT

President Feckner offered congratulations to Priya Mathur for her re-election to the Board, and to Theresa Taylor, the newest member of the Board. President Feckner also congratulated, on behalf of the Board, Ted Eliopoulos for being selected as the Chief Investment Officer. President Feckner thanked everyone for their hard work in raising more than \$11,000 for the Susan G. Komen Foundation.

President Feckner read two formal statements from the Board for the record.

1. The Board takes seriously the rules and procedures surrounding the FPPC. It is unfortunate that Ms. Mathur failed to timely file her FPPC campaign forms. While we understand she had no expenditures to report, we still believe that rules are rules and must be adhered by all. We hereby remove Ms. Mathur from her leadership positions on this Board.

2. The comments quoted in a recent P & I article by Board Member JJ Jelincic were unfortunate and a breach of Board Governance policy Article X, Section L, Civility and Courtesy, as well as a breach of our CalPERS core values. The CIO is a hire of the Board of Administration, and as such this became a personnel matter. We wish to make it perfectly clear that the decision to hire the current CIO was a unanimous decision by the 11 voting members of this Board. We also hereby advise Mr. Jelincic to use his “Boardsmanship” hat when speaking to the media about matters that impact the system, employees of the system, or this Board. Personal opinions are encouraged, but when the Board or Committee has made a decision, it must be respectfully acknowledged as such by all members of the Board.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Ms. Stausboll expressed congratulations to Ted Eliopoulos, CalPERS new Chief Investment Officer.

Ms. Stausboll reported on the following:

- The Annual Employer Educational Forum,
- Employer Valuation reports,
- The final stages of completing the Comprehensive Annual Financial Report (CAFR),
- Open Enrollment period for Health Benefits closing and the start of implementing the changes our members have requested,
- The upcoming Emerging and Diverse Manager Day,
- Investment earnings and the new Pension Buck,
- The final Benefits Education Event for the year and additional events next year,
- And the Annual California State Employees Charitable Campaign.

Ms. Stausboll recognized nine volunteers from the Customer Service and Outreach Division, who in addition to their regular duties, took on the task of making the move of the Customer Contact Center to a new office in West Sacramento, a smooth transition.

b. Chief Investment Officer Report

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

As of August 31, 2014 the total fund has returned 1.05 percent, continuing to exhibit very strong returns over the long term. The 3-year return is 12 percent and the 5-year return is at 10.9 percent. The 10-year return is at 7.4 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 \$301.4 billion.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

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

On **MOTION** by Henry Jones, **SECONDED** by Michael Bilbrey 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 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, October 13, 2014.

The Committee approved the following:

1. Engagement of Pension Consulting Alliance, Inc. for the role of Private Equity Board Consultant, pending successful contract negotiations.
2. Revision of the Statements of Investment Policy, to reflect the recently adopted strategic asset allocations for the following Affiliate Funds:
 - Judges', and Judges' II Retirement Systems
 - Legislators' Retirement System, and the
 - California Employees' Retiree Benefit Trust.
3. Revision of the Global Equity Delegation and Policy to include the key elements of the Corporate Governance Program and Developmental Investment Fund policies, and repeal of the Corporate Governance Program and Developmental Investment Fund Policies.
4. Extension of 37 external investment manager agreements for a one-year period.
5. Extension of the current master custodian contract with State Street Bank for a two-year period.

Additional information may be found in the October 13, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for November 17, 2014 in Sacramento, California.

b. Pension and Health Benefits Committee

George Diehr, Acting Chair, Pension and Health Benefits Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, October 14, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed regulations to the plan provisions for the Public Employees' Retirement Fund, the Legislators' Retirement Fund, the Judges' Retirement Fund, the Judges' Retirement Fund II, and the Supplemental Contributions Plan (individually the "Plan", and collectively "the Plans") in accordance with the Internal Revenue Service rules. (PHBC Item 5)

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

The next meeting of the Pension and Health Benefits Committee is scheduled for November 18, 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, October 14, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved Staff's recommendation for the June 30, 2014, actuarial valuation report for the Long-Term Care Program. (FAC Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved staff's recommendation to select the top two proposers for the Health Care Policy Federal Representative as Finalists for interviews with the CalPERS Board of Administration in November 2014. (FAC Item 6a)

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

The next meeting of the Finance and Administration Committee is scheduled for November 18, 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, October 15, 2014.

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

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for February 18, 2015 in Sacramento, California.

e. Risk and Audit Committee

The Committee did not meet in October.

The next meeting of the Risk and Audit Committee is scheduled for February 18, 2015 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet in October.

The next meeting of the Board Governance Committee is scheduled for December 17, 2014 in Sacramento.

AGENDA ITEM 8 – REVISIONS TO BOARD GOVERNANCE POLICY AND CHIEF EXECUTIVE OFFICER DELEGATION

At the September 17, 2014 Board Meeting, the Board adopted revisions to the CalPERS executive management reporting structure.

Matt Jacobs, General Counsel, recommended the Board adopt the approved revisions to the Board Governance Policy and to the Chief Executive Officer Delegation.

On **MOTION** by Henry Jones, and **SECONDED** by Priya Mathur and **CARRIED**, the Board approved to adopt the revisions to the Board Governance Policy and to the Chief Executive Officer Delegation.

AGENDA ITEM 9 – PROPOSED DECISION OF ADMINISTRATION LAW JUDGES

On **MOTION** by Priya Mathur, **SECONDED** by Henry Jones 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 9h as the Board's own decisions with minor clerical corrections to 9g as argued by staff.

AGENDA ITEM 10 – PETITIONS FOR RECONSIDERATION

On **MOTION** by Priya Mathur, **SECONDED** by Henry Jones and **CARRIED**, the Board accepted the recommendation of our Independent Board Counsel to deny the petitions for reconsideration under Agenda Items 10a and 10b.

AGENDA ITEM 11 – FIDUCIARY COUNSEL INTERVIEWS

President Feckner moved to Agenda Item 12 due to a Time Certain of 10:00 a.m. for Item 11.

AGENDA ITEM 12– EXTERNAL AFFAIRS/STATE AND FEDERAL LEGISLATION

Robert Glazier, Deputy Executive Officer, External Affairs, provided an update on media surrounding the Stockton bankruptcy ruling, state legislative activities, and the federal Request for Proposals process. Mr. Glazier expressed thanks and congratulated the Governmental Affairs team for all the work they did in tracking the bills and bringing them before the Board.

AGENDA ITEM 13 – PUBLIC COMMENT

No public comments made.

Meeting was adjourned at 9:38 a.m.

The meeting reconvened at approximately 10:02 a.m. and the following members were present:

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

Board of Administration Member excused: Ron Lind

AGENDA ITEM 11 – FIDUCIARY COUNSEL INTERVIEWS

CalPERS has historically conducted a streamlined solicitation process for all of its outside legal counsel in order to encourage competition among firms and to obtain competitive pricing. In March of this year, staff issued a solicitation for fiduciary counsel and received ten responses. Out of those ten, five firms were invited to be interviewed by staff. Based on staff's evaluation of the proposals and interviews, staff recommended candidates to the Board at the August 20, 2014 meeting. At that meeting, the Board determined three firms should be finalists and be interviewed by the Board at the October 15, 2014 meeting.

The purpose of the interviews was for the Board to interview and rank the three finalists.

The Board of Administration interviewed the three finalists, Klausner, Kaufman, Jensen and Levinson; ReedSmith, LLP; and Reinhart, Boerner, Van Deuren.

On **MOTION** by Priya Mathur, **SECONDED** by Michael Bilbrey, for the Board to rank the candidates in the following order:

1. ReedSmith, LLP
2. Reinhart, Boerner, Van Duren
3. Klausner, Kaufman, Jensen & Levinson

On **SUBSTITUTE MOTION** by George Diehr, **SECONDED** by Terrence McGuire, for the Board to rank the candidates in the following order:

1. Reinhart, Boerner, Van Duren
2. Klausner, Kaufman, Jensen & Levinson
3. ReedSmith, LLP

On **SUBSTITUTE MOTION** by Dana Hollinger, **SECONDED** by Richard Gillihan, and **CARRIED**, for the Board to rank the candidates in the following order:

1. Klausner, Kaufman, Jensen & Levinson
2. Reinhart, Boerner, Van Duren
3. ReedSmith, LLP

On **SUBSTITUTE MOTION** by George Diehr, and **SECONDED** by Richard Costigan, to place Klausner, Kaufman, Jensen & Levinson and Reinhart, Boerner, Van Duren in a pool.

On **SUBSTITUTE MOTION** by Grant Boyken, **SECONDED** by Henry Jones, for the Board to select Klausner, Kaufman, Jensen & Levinson as the sole fiduciary counsel.

After additional discussion, it was determined that the substitute motion by Grant Boyken was unnecessary because the candidates had already been ranked and Klausner, Kaufman, Jensen & Levinson would be the sole fiduciary counsel unless the substitute motion by George Diehr establishing a two firm pool was carried.

After discussion, George Diehr withdrew his substitute motion and Richard Costigan withdrew his second.

The candidates were then brought back into the auditorium.

President Feckner announced the Board's action on Dana Hollinger's substitute motion to rank the firms as follows: first being Klausner, Kaufman, Jensen & Levinson; second being Reinhart, Boerner, Van Duren; and third being ReedSmith, LLP.

Staff was directed to begin negotiations with the Klausner, Kaufman, Jensen & Levinson firm and if unsuccessful in reaching a conclusion, to proceed with negotiations with the Reinhart firm.

President Feckner reminded the Board and the finalists of the restricted contact rule under Government Code Section 20153.

The interviews were adjourned and the meeting was recessed for lunch at 12:05 p.m.

The meeting then recessed into closed session.

The meeting reconvened into open session at 2:11 p.m.

The Board reported the personnel actions it took, including the recommendation of the Performance, Compensation, and Talent Management Committee. By a vote of 9 to 0

with one abstention, the Board approved the 2013-14 performance award and base salary increase for the Chief Executive Officer.

The Board received reports on the 2013-14 annual performance for investment management positions, the Chief Actuary, and the Chief Financial Officer; and, the report on the impact of the restatement of real estate investment performance to incentive compensation awards.

There being nothing further to come before the Board of Administration, the Open Session meeting adjourned at 2:12 p.m.

The next Board of Administration meeting is scheduled for November 19, 2014 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer