


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

**MINUTES OF MEETING
Wednesday, November 19, 2014**



The Board of Administration met on Wednesday, November 19, 2014 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:04 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
Ron Lind
Grant Boyken for Bill Lockyer
Priya Mathur
Bill Slaton

Board of Administration Member excused: Henry Jones

AGENDA ITEM 3 – PRESIDENT'S REPORT

President Feckner honored the veterans that are part of the CalPERS family and extended family of the members, employers and stakeholders. President Feckner thanked Sarah Mansfield and Dianne Diaz for leading us in the Pledge of Allegiance and the Sacramento State 88th Air Force ROTC Program for the presentation of colors.

President Feckner also thanked all the CalPERS staff who worked on the Educational Forum and the Members of the Board for their participation.

President Feckner honored Jim Mosman, former CalPERS Board Member, who recently passed away.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Ms. Stausboll reported on the following:

- The Stockton bankruptcy,
- The 15th Annual Employer Educational Forum,
- The first Emerging and Diverse Manager Day,
- The last Benefits Education Event for 2014,
- The new Customer Service and Outreach Division office,
- The Leadership Forum,
- The final stages of completing the Comprehensive Annual Financial Report (CAFR),
- The Business Plan for 2015-17,
- And the kick-off for the Annual California State Employees Charitable Campaign.

Ms. Stausboll congratulated Richard Gillihan on his appointment as Director of the California Department of Human Resources.

Ms. Stausboll recognized Lindy Plaza, for receiving the 2014 Equal Employment Opportunity Hero Award. Ms. Stausboll also recognized Jon Kanemasu, Stacie Walker and Valerie Wong for an article that was published in the Journal of Retirement about how to increase participation in supplemental savings programs.

b. Chief Investment Officer Report

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

As of September 30, 2014 the total fund performance for the fiscal year-to-date period was negative 1.3 percent, while the one-year return is 10.9 percent. Importantly, over longer time periods, the total fund continues to exhibit solid returns. The 3-year return is 12.7 percent and the 5-year return is at 10.4 percent. The 10-year return is at 7 percent and the 20-year return of the fund is 8.3 percent. For the first time since 2007, the fund's five-year returns exceed the policy benchmark.

All asset class allocations are within policy ranges with the total fund assets valued at \$295.1 billion.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- a. Approval of October 2014 Meeting Minutes

On **MOTION** by Michael Bilbrey, **SECONDED** by George Diehr and **CARRIED**, the Board approved Action Consent Item 5a.

- b. Board Travel Approvals

Five additional travel requests were submitted for Priya Mathur, JJ Jelincic, Michael Bilbrey, Dana Hollinger and Henry Jones. All requests are attached to these minutes.

On **MOTION** by Richard Costigan, **SECONDED** by George Diehr and **CARRIED**, the Board approved Action Consent Item 5b.

AGENDA ITEM 6 – CONSENT ITEMS

Information Consent Items:

- a. Board Meeting Calendar
- b. Draft Agenda for December 2014 Meeting
- c. General Counsel's Report
- d. External Affairs Report

AGENDA ITEM 7 – 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, November 17, 2014.

The Committee approved the following:

1. Selection of Meketa Investment Group and Wilshire Associates Incorporated for interviews for the role of the General Pension Board Consultant.

2. Staff's recommendation that two portfolio companies are not subject to the California Public Divest from Iran Act.
3. Transmission of the CalPERS Emerging Manager Five-Year Plan, Year Two report to the California Legislature.

Additional information may be found in the November 17, 2014 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for December 15, 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, November 18, 2014.

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

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

Public Comment by Mr. Tim Behrens, President of the California State Retirees.

Tim Behrens, representing the California State Retirees, spoke on Medicare propositions.

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, November 18, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved the draft CalPERS 2013-14 Basic Financial Statements. (FAC Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved the First Reading of the CalPERS 2014-15 Mid-Year Total Budget of \$1,858,230,000 and 2,727 positions, and the transmittal letter of this agenda item to the appropriate parties as listed in the item. (FAC Item 5b)

On **MOTION** by Committee and **CARRIED**, with one abstention by JJ Jelincic, the Board approved the amended percentage of time to be spent on Board duties by Board Member Priya Mathur, effective October 15, 2014. (FAC Item 5c)

On **MOTION** by Committee and **CARRIED**, the Board approved selection of the top three proposals for the Retirement Policy Federal Representative as finalists for interviews with the CalPERS Board in December 2014 as listed in the item. (FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved selection of the top two proposals for the Investment Policy Federal Representative as finalists for interviews with the CalPERS Board in December 2014 as listed in the item. (FAC Item 6b)

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

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

d. Performance, Compensation and Talent Management Committee

The Committee did not meet in November.

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

George Diehr, Chair, Risk and Audit Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, November 18, 2014.

On **MOTION** by the Committee and **CARRIED**, the Board accepted the Independent Auditor's report on the draft Basic Financial Statements for the year-ended June 30, 2014 and accompanying required communications as listed in the item.

The next meeting of the Risk and Audit Committee is scheduled for March 17, 2015 in Sacramento, California.

f. Board Governance Committee

The Committee did not meet in November.

The next meeting of the Board Governance Committee is scheduled for December 17, 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 the Independent Board Counsel's recommendations and adopted the proposed decisions of Administrative Law Judges (ALJ) for Agenda Items 8a, 8c and 8e in their entirety as the Board's own decisions.

On **MOTION** by Ron Lind, **SECONDED** by Priya Mathur and **CARRIED**, with recusal by Richard Costigan, the Board approved the Independent Board Counsel's recommendation and adopted the proposed decision of the ALJ for Agenda Item 8b in its entirety as the Board's own decision.

Priya Mathur moved and Ron Lind seconded, that the Board approve the recommendation of the Independent Board Counsel to adopt the proposed decision for Agenda Item 8d in its entirety as the Board's own decision.

On **MOTION** by JJ Jelincic, **SECONDED** by George Diehr, and **CARRIED**, the Board amended the motion to direct Legal Staff to edit the brochure that is given to members so it is clear that Social Security, workers' comp and CalPERS all have different standards for disability and how it is approved.

On **MOTION** by Priya Mathur, **SECONDED** by Ron Lind, and **CARRIED**, the Board approved the Independent Board Counsel's recommendation and adopted the proposed decision of the ALJ for Agenda Item 8d in its entirety as the Board's own decision, with direction that the Legal Staff edit the brochure about disability standards that is given to members.

Agenda Item 8e was removed from the calendar.

AGENDA ITEM 9 – PETITIONS FOR RECONSIDERATION

On **MOTION** by George Diehr, **SECONDED** by Richard Costigan and **CARRIED**, the Board accepted the recommendation of our Independent Board Counsel to deny the petition for reconsideration under Agenda Item 9a.

AGENDA ITEM 10 – FULL BOARD DECISION ON CHRISTINE MONSEN

On **MOTION** by George Diehr, **SECONDED** by Richard Costigan and **CARRIED**, with one recusal by JJ Jelincic, the Board approved acceptance of the Independent Board Counsel recommendation and adopted the full Board decision as presented in Agenda Item 10.

AGENDA ITEM 11 – FULL BOARD HEARING – LISA HANDWERKER

AGENDA ITEM 12– FEDERAL REPRESENTATIVE (HEALTH) INTERVIEWS & SELECTION

President Feckner moved Agenda Item 11 and 12 to the end of the open session.

AGENDA ITEM 13 – STATE & FEDERAL LEGISLATION

Danny Brown, Legislative Affairs Division Chief, provided an update on the recent State election results and new members of the State Legislature.

Tom Lussier, CalPERS Federal Liason, provided updates on federal legislation, including how the new Senate leadership and committee assignments will potentially affect CalPERS related interests.

AGENDA ITEM 14 – PUBLIC COMMENT

L. R. Roberts, representing CSR Chapter 2, commented on the dependent eligibility verification report.

Meeting was recessed at 10:07 a.m.

The meeting reconvened at approximately 10:33 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
Ron Lind
Grant Boyken for Bill Lockyer
Priya Mathur
Bill Slaton

Board of Administration Member excused: Henry Jones

AGENDA ITEM 11 – FULL BOARD HEARING – LISA HANDWERKER

At the September 17, 2014 Board meeting, the Board rejected the proposed decision of the Administrative Law Judge (ALJ) and scheduled this matter for a full Board hearing on the question of whether the member's membership eligibility date should be prior to June 19, 2006.

Senior Staff Counsel, Renee Salazar appeared for CalPERS. Marguerite Seabourn, Assistant Chief Counsel for CalPERS, was also present. Bernhard Rohrbacher, Attorney, represented Dr. Handwerker.

Chirag Shah, the Board's independent counsel on full Board hearings arising from the 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 ALJ stands as is, but the parties have the opportunity to present oral and written arguments. Dr. Handwerker 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.

President Feckner noted that Mr. Rohrbacher had submitted a written request to introduce evidence, which was dated November 3, 2014. The request was withdrawn by a motion filed on November 12, 2014. The motion to withdraw the request to introduce evidence was granted on November 14, 2014.

Ms. Salazar then presented CalPERS' arguments as to why the Board should accept the ALJ's proposed decision and determination that Dr. Handwerker's effective membership date is June 19, 2006.

Mr. Rohrbacher then presented arguments as to why the Board should reject the ALJ's proposed decision and determine that Dr. Handwerker's effective membership date is the beginning of the 2004 winter quarter.

Ms. Salazar and Mr. Rohrbacher then presented their rebuttal arguments.

The Floor was opened for questions by the Board.

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

The Board then recessed into closed session at 11:44 a.m.

The public meeting reconvened at approximately 11:54 a.m.

President Feckner announced that the Board voted unanimously to accept the recommendation of the Independent Board Counsel and to adopt the proposed decision in its entirety as the Board's own decision.

The public meeting was then recessed into closed session to discuss Agenda Item 15 (Litigation Matters).

AGENDA ITEM 12– FEDERAL REPRESENTATIVE (HEALTH) INTERVIEWS & SELECTION

The public meeting was reconvened at approximately 1:05 p.m.

The purpose of the interviews was for the Board to interview and rank the two finalists, Avenue Solutions/Jennings Policy and K&L Gates.

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
Ron Lind
Grant Boyken for Bill Lockyer
Priya Mathur
Bill Slaton

Board of Administration Member excused: Henry Jones

The Board interviewed the two finalists, Avenue Solutions/Jennings Policy and K & L Gates.

On **MOTION** by Richard Costigan, **SECONDED** by Dana Hollinger, for the Board to reject the RFP and instruct staff to put the RFP back out. After much discussion, the motion failed.

Members were then asked to fill out their score sheets to be collected by staff.

On **MOTION** by Bill Slaton, **SECONDED** by George Diehr, and **CARRIED**, the Board accepted the contract term to be three years with two one-year extensions.

Meeting was recessed at 2:40 p.m.

Meeting reconvened at approximately 2:47 p.m.

Final interview scores were awarded by the Board: Avenue Solutions and Jennings Policy Strategies with 330 points and K&L Gates with 260 points.

On **MOTION** by JJ Jelincic, **SECONDED** by Priya Mathur, and **CARRIED**, the Board adopted the Board's interview scores for the RFP with Avenue Solutions, 330 points and K&L Gates, 260 points.

On **MOTION** by JJ Jelincic, **SECONDED** by Ron Lind, and **CARRIED**, the Board awarded the contract to the highest ranking finalist, Avenue Solutions and Jennings Policy, subject to final negotiations and satisfaction of all requirements and directed staff to begin contract negotiations with Avenue Solutions/Jennings Policy. If Staff, in its discretion, concludes that negotiations are unsuccessful, to then begin contract negotiations with K&L Gates, who was the next highest scoring finalist.

There being nothing further to come before the Board of Administration, the Open Session meeting adjourned at 2:49 p.m.

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

ANNE STAUSBOLL
Chief Executive Officer

Attachment Agenda Item 5b:

1. Priya Mathur Travel Request – Judge at Yale's Low Carbon Case Competition in New Haven, CT – November 12-15, 2014.
2. JJ Jelincic Travel Request to Meet with RPEA Chapter 95 in Sparks, NV – November 30-December 2, 2014.
3. Michael Bilbrey Travel Request to Attend the Emerging Manager Consortium WEST Forum in Los Angeles, CA – December 3-4, 2014.
4. Dana Hollinger Travel Request to Attend the Emerging Manager Consortium WEST Forum in Los Angeles, CA – December 3-4, 2014.
5. Henry Jones Travel Request to Speak at the Emerging Manager Consortium WEST Forum in Los Angeles, CA – December 3-4, 2014.
6. Priya Mathur Travel Request to Attend the PRI Advisory Council Meetings in London, England – December 8-12, 2014.
7. Dana Hollinger Travel Request to Attend the PPI 2015 Roundtable in Rancho Palos Verde, CA – February 11-13, 2014.



Agenda Item 5b

November 19, 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
Priya Mathur	11/12/14–11/15/14	New Haven, CT	Judge at Yale's Low Carbon Case Competition
JJ Jelincic	11/30/1–12/02/14	Sparks, NV	Meet with RPEA Chapter 95
Michael Bilbrey	12/3/14–12/4/14	Los Angeles, CA	Attend Emerging Manager Consortium WEST Forum
Dana Hollinger	12/3/14–12/4/14	Los Angeles, CA	Attend Emerging Manager Consortium WEST Forum
Henry Jones	12/3/14–12/4/14	Los Angeles, CA	Speak at Emerging Manager Consortium WEST Forum
Priya Mathur	12/8/14–12/12/14	London, England	Attend PRI Advisory Council Meetings
Dana Hollinger	2/11/14 - 2/13/14	Rancho Palos Verdes, CA	Attend PPI 2015 Roundtable

Rob Feckner, President
Board of Administration