


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

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



The Board of Administration met on Wednesday, December 17, 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
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

Board of Administration Members excused: None

AGENDA ITEM 3 – PRESIDENT'S REPORT

President Feckner presented the CalPERS Choir, whereupon a performance was given.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

Ms. Stausboll thanked Board Members George Diehr and Bill Lockyer for their service at CalPERS. Ms. Stausboll congratulated Mr. Costigan for his re-election to the CalPERS Board.

Ms. Stausboll reported on the following:

- A positive and productive first half of the fiscal year,
- A successful open enrollment for health,
- The new Customer Service and Outreach Division West Sacramento location,
- The upcoming Benefit Education events,
- Continuing the focus on putting the Treasury Management Program in place,
- And the National Institute on Retirement Security report.

Ms. Stausboll applauded and thanked the CalPERS Choir and Rick Maness for a wonderful performance.

b. Chief Investment Officer Report

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

As of October 31, 2014 the total fund performance for the fiscal year-to-date period was negative .5 percent, while the one-year return is 9 percent. Importantly, over longer time periods, the total fund continues to exhibit solid returns. The 3-year return is 11.2 percent and the 5-year return is at 10.7 percent. The 10-year return is at 6.8 percent and the 20-year return of the fund is 8.2 percent. All asset class allocations are within policy ranges.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

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

Five additional travel requests were submitted for Rob Feckner, Henry Jones and Michael Bilbrey. All requests are attached to these minutes.

On **MOTION** by JJ Jelincic, **SECONDED** by Priya Mathur 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 February 2015 Meeting
- c. General Counsel's Report
- d. External Affairs 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, December 15, 2014.

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

The next meeting of the Investment Committee is scheduled for February 17, 2015 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, December 16, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved the regulations for submission to the Office of Administrative Law that make technical amendments 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)

On **MOTION** by Committee and **CARRIED**, with one abstention from Richard Gillihan, the Board approved to sponsor legislation to make minor clarifying technical changes to sections of the Government Code administered by CalPERS. (PHBC Item 6)

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

The next meeting of the Pension and Health Benefits Committee is scheduled for February 18, 2015 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, December 16, 2014.

On **MOTION** by Committee and **CARRIED**, with JJ Jelincic voting no, the Board approved the December 2014 Prospective Report of Solicitations, Contracts, Purchase Orders and Letters of Engagement as listed in the item. (FAC Item 3b)

On **MOTION** by Committee and **CARRIED**, with JJ Jelincic voting no, the Board approved the CalPERS Fiscal Year 2014-15 Mid-Year Total Budget of \$1,858,230,000 and 2,727 positions, and the transmittal of this agenda item to the appropriate parties as listed in the item. (FAC Item 5a)

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

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

d. Performance, Compensation and Talent Management Committee

The Committee did not meet in December.

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 December.

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

f. Board Governance Committee

George Diehr, Chair, Board Governance Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, December 16, 2014.

On **MOTION** by Committee and **CARRIED**, the Board approved to amend the Board Governance Committee Delegation and the Board Governance Policy so that the selection of committee members and Chair and Vice-Chair of the Board Governance

Committee follows the selection process used for all other standing committees of the Board, as set forth in Attachments 1 and 2 of the Agenda item. (GOV Item 5)

On **MOTION** by Committee and **CARRIED**, the Board approved to amend the Board Governance Policy and Board Member Education Policy to reflect the requirements of AB 1163, as set forth in Attachments 1 and 2 of the Agenda Item. (GOV Item 6)

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

The next meeting of the Board Governance Committee is scheduled for February 18, 2015 in Sacramento.

MOTION TO RECONSIDER BOARD'S ACTION TAKEN DECEMBER 16, 2014

On **MOTION** by Bill Slaton, and **SECONDED** by Dana Hollinger, and **CARRIED**, that the Board reconsider the action taken by the Board on Tuesday, December 16, 2014 to award the contract for the Retirement Policy Federal Representative.

On **MOTION** by Bill Slaton, and **SECONDED** by Dana Hollinger, and **CARRIED**, the contract with The Lussier Group/Williams Jensen for the Retirement Policy Federal Representative will have an initial term of two years, with two one-year optional extensions.

AGENDA ITEM 8 – PROPOSED DECISION OF ADMINISTRATION LAW JUDGES

On **MOTION** by Priya Mathur, **SECONDED** by George Diehr 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 and 8c through 8k in their entirety as the Board's own decisions, including the minor modifications to Agenda Item 8k as argued by staff.

On **MOTION** by Bill Slaton, **SECONDED** by Ron Lind, move for the Board to adopt the proposed decision of Administrative Law Judges (ALJ) for Agenda Item 8b in its entirety as the Board's own decision. On **SUBSTITUTION MOTION** by Priya Mathur, and **SECONDED** by Henry Jones, and **CARRIED**, the Board approved the recommendation of the Independent Board Counsel to remand Agenda item 8b for the taking of additional evidence on the question of whether the ALJ had the legal authority to reopen the hearing and accept evidence on August 19, 2014.

AGENDA ITEM 9 – FEDERAL REPRESENTATIVE (INVESTMENT) INTERVIEWS & SELECTION

Moved to the end of the Agenda.

AGENDA ITEM 10 – STATE & FEDERAL LEGISLATION

Danny Brown, Legislative Affairs Division Chief, provided an update on the Assembly naming their Committee Chairs.

AGENDA ITEM 11 – PUBLIC COMMENT

Neal Johnson, representing SEIU Local 1000, thanked George Diehr and Bill Lockyer for their many years of service to CalPERS.

Meeting was recessed to closed session at 10:17 a.m.

The meeting reconvened at approximately 10:45 a.m.

AGENDA ITEM 9 – FEDERAL REPRESENTATIVE (INVESTMENT) INTERVIEWS & SELECTION

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
Robert Biegler for Bill Lockyer
Priya Mathur
Bill Slaton

Board of Administration Members excused: None

The purpose of the agenda item was for the Board to interview two finalists, DLA Piper and K&L Gates, and award a contract to the highest ranking finalist after the Board's interviews.

The Board interviewed the two finalists and the Board members each scored the interviews.

On **MOTION** by JJ Jelincic, **SECONDED** by Priya Mathur, and **CARRIED**, the Board adopted interview scores of 210 points for DLA Piper, and 482 points for K&L Gates.

Staff then announced the combined total score for each finalist as follows: DLA Piper, 702 total points; and K&L Gates, 908 total points.

On **MOTION** by Henry Jones, **SECONDED** by Robert Biegler, that the Board award the contract to the highest ranking finalist, K&L Gates, subject to final negotiations and satisfaction of all requirements, and that staff be directed to begin contract negotiations with K&L Gates and if staff, in its discretion, concludes that negotiations are unsuccessful, to begin contract negotiations with DLA Piper, the next highest scoring finalist.

On **SUBSTITUTE MOTION** by George Diehr, **SECONDED** by Henry Jones, that the Board award the contract to K&L Gates, but if negotiations are unsuccessful, to not begin negotiations with the second place finalist. The motion **FAILED**.

On **MOTION** by JJ Jelincic, **SECONDED** by Priya Mathur, that the original motion by Jones be amended to award a three-year contract with two one-year optional extensions. The motion **FAILED** after a roll call vote.

Board Member	Yes	No
Rob Feckner		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	
Robert Biegler for Bill Lockyer	x	
Priya Mathur	x	
Bill Slaton	x	

After a vote on Mr. Jones' original motion, the motion **CARRIED**.

There being nothing further to come before the Board of Administration, the Open Session meeting adjourned at 12:23 p.m.

The next Board of Administration meeting is scheduled for February 19, 2015 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer

Attachment, Agenda Item 5b:

1. Rob Feckner Travel Request to attend the RFK Conference in Sausalito, CA – March 3-5, 2015.
2. Henry Jones Travel Request to attend the CII Spring Conference in Washington, D.C. – March 29 – April 2, 2015.
3. Michael Bilbrey Travel Request to Attend the 2015 NCPERS Trustees Education Seminar in New Orleans, LA – May 1-3, 2015.
4. Henry Jones Travel Request to attend the Annual ICGN Conference in London, England – June 1-7, 2015.
5. Henry Jones Travel Request to attend the CII Fall Conference in Boston, MA – September 29 – October 3, 2015.



Board of Administration
California Public Employees' Retirement System

REVISED

Agenda Item 5b

December 17, 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
Rob Feckner	3/3/15-3/5/15	Sausalito, CA	RFK Conference
Henry Jones	3/29/15-4/2/15	Washington, DC	Attend CII Spring Conference
Michael Bilbrey	5/1/15-5/3/15	New Orleans, LA	Attend 2015 NCPERS Trustees Education Seminar
Henry Jones	6/1/15-6/7/15	London	Attend Annual ICGN Conference
Henry Jones	9/29/15-10/3/15	Boston, MA	Attend CII Fall Conference

Rob Feckner, President
Board of Administration



Meeting Summary

December 17, 2014

The Investment Committee met on December 15, 2014.

The Committee discussed and approved:

- Staff's recommendation to sponsor legislation to:
 - Clarify the procurement processes and requirements for investment-related services, consistent with the Board's fiduciary duties
 - Eliminate the existing requirement to invest 25% of the fund in California real estate mortgages and related legislative reporting, and
 - Modify the Quarterly Investment Performance reporting requirement to a semi-annual basis and eliminate the requirement to report portfolio holdings on a cost basis
- Engagement of Wilshire Associates Incorporated for the role of General Pension Board Consultant, pending successful contract negotiations

The Committee received presentations on:

- A proposed series of engagements with the Committee to explore the concept of portfolio priorities and benchmark-related topics
- The performance and rebalance of the Terminated Agency Pool Program
- A summary of the authorities granted to staff through the Delegation Resolutions for Professional Staff across the Investment Office
- The review of the Responsible Contractor Program and Neutrality Trial Responsible Contractor Program policies, including proposed changes that will be brought to the Committee in 2015 for approval
- The annual review of the Private Equity Program from staff and the Board's Private Equity Investment Consultant

The Committee heard Public Comment on the following topics:

- CalPERS' Responsible Contractor Program Policy
- A national drug-store chain

Highlights of what to expect at upcoming Investment Committee meetings include:

- In February the Committee will receive an update on the performance and risk of the Total Fund from the Chief Investment Officer and the Board's Investment Consultants

The next meeting of the Investment Committee is scheduled for February 17, 2015 in Sacramento, California.