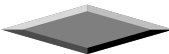
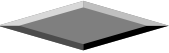


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**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
MINUTES OF MEETING  
Thursday, February 19, 2015**

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The Board of Administration met on Thursday, February 19, 2015 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:25 a.m. and the following members were present:

Rob Feckner, President  
Henry Jones, Vice President  
Michael Bilbrey  
Grant Boyken for John Chiang  
Richard Costigan  
Richard Gillihan  
Dana Hollinger  
JJ Jelincic  
Ron Lind  
Priya Mathur  
Bill Slaton  
Theresa Taylor  
Betty Yee

Board of Administration Members excused: None

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

President Feckner welcomed the newest Board members, Controller Betty Yee and Theresa Taylor. President Feckner also acknowledged John Chiang in his new role as Treasurer. President Feckner reported on his annual assessment of the State of the System.

### **AGENDA ITEM 4 – EXECUTIVE REPORTS**

#### **a. Chief Executive Officer Report**

Ms. Stausboll reported on the following current initiatives and priorities:

- Mitigation Strategies for Funding Risk,

- Development of the Business Plan for 2015-17 fiscal years,
- The policy on Treasury Management,
- The upcoming annual joint hearing with CalSTRS before the California Legislative Committees on pension issues,
- Health care negotiations,
- The CalPERS Benefit Education Events,
- And the CalPERS Jammin' for the Cure kickoff.

Ms. Stausboll recognized Rose McAuliffe, Jennifer Hamarlund, Lucille Bosnick and the entire Budget staff for their work on the annual budget, and for receiving the Government Financial Officers Association Distinguished Budget Presentation Award for the 2014-15 CalPERS Budget.

Ms. Stausboll also recognized the IT group known as “The Tiger Team” for their ability to troubleshoot issues as they arise and for being proactive in working to keep incidents from happening.

b. Chief Investment Officer Report

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

As of December 31, 2014 the total fund performance for the fiscal year-to-date period was negative .5 percent. Importantly, over longer time periods, the total fund continues to exhibit solid returns. The 3-year return is 11.9 percent and the 5-year return is at 9.8 percent. The 10-year return is at 6.2 percent and the 20-year return of the fund is 8.3 percent. All asset class allocations are within policy ranges. The total fund assets are valued at \$295.8 billion.

**AGENDA ITEM 5 – CONSENT ITEMS**

**Action Consent Items:**

- a. Approval of December 16, 2014 Board of Administration Meeting Minutes
- b. Approval of December 17, 2014 Board of Administration Meeting Minutes
- c. Board Travel Approvals

Controller Betty Yee abstained on the consent items, particularly with respect to the minutes.

On **MOTION** by Michael Bilbrey, **SECONDED** by Grant Boyken and **CARRIED**, the Board approved Action Consent Items 5a, 5b and 5c.

## **AGENDA ITEM 6 – CONSENT ITEMS**

### **Information Consent Items:**

- a. Board Meeting Calendar
- b. Draft Agenda for March 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 Tuesday, February 17, 2015.

The Committee elected Henry Jones as Chair and Bill Slaton as Vice Chair.

Additional information may be found in the February 17, 2015 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for March 16, 2015 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 Wednesday, February 18, 2015.

The Committee elected Priya Mathur as Chair and Michael Bilbrey as Vice Chair.

The Committee discussed the proposed Legislative and Policy Engagement Guidelines for Retirement and Health, and deferred action on this item until March 17, 2015 PHBC meeting.

On **MOTION** by Committee and **CARRIED**, the Board approved the staff's recommendation to adopt the proposed regulations that clarify health enrollment eligibility standards for a Parent-Child Relationship. (PHBC Item 7)

Additional information may be found in the February 18, 2015 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Pension and Health Benefits Committee is scheduled for March 17, 2015 in Sacramento, California.

c. Finance and Administration Committee

Richard Costigan, Chair, Finance and Administration Committee, presented the Committee Summary report to the Board. The Committee met on Wednesday, February 18, 2015.

The Committee elected Richard Costigan as Chair and Dana Hollinger as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved the June 30, 2014, Judges' Retirement System II Actuarial Valuation Report along with the changes to the amortization and smoothing policy outlined in the report, and the corresponding transmittal letter to the Governor and Legislature. The Board adopted the employer contribution rate of 23.370 percent, for the period of July 1, 2015 through June 30, 2016 for the Judges' Retirement System II. (FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, with one recusal from Grant Boyken, the Board approved the June 30, 2014, Legislators' Retirement System Actuarial Valuation Report along with the changes to the amortization and smoothing policy outlined in the report, and the corresponding transmittal letter to the Governor and Legislature. The Board adopted the employer contribution rate of 42.265 percent for the period of July 1, 2015 through June 30, 2016 for the Legislators' Retirement System. (FAC Item 6b)

On **MOTION** by Committee and **CARRIED**, the Board approved the Notice of Election for the 2015 CalPERS Board of Administration Retired Member Election. (FAC Item 7a)

Additional information may be found in the February 18, 2015 Agenda materials and transcripts of the Committee meeting.

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

d. Performance, Compensation and Talent Management Committee

The Committee did not meet in February.

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for March 17, 2015 in Sacramento, California.

e. Risk and Audit Committee

The Committee did not meet in February.

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

f. Board Governance Committee

Bill Slaton, Chair, Board Governance Committee, presented the Committee Summary report to the Board. The Committee met on Thursday, February 19, 2015.

The Committee elected Bill Slaton as Chair and Richard Costigan as Vice Chair.

On **MOTION** by Committee and **CARRIED**, with JJ Jelincic voting no, the Board approved to amend the CalPERS Conflict of Interest Code and initiate the rule-making process subject to notice to the labor unions. (GOV Item 6)

Additional information may be found in the February 19, 2015 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Board Governance Committee is scheduled for May 19, 2015 in Sacramento.

## **AGENDA ITEM 8 – PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGES**

On **MOTION** by Henry Jones, **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 through 8j and 8l through 8m in their entirety as the Board's own decisions.

On **MOTION** by Henry Jones, **SECONDED** by Priya Mathur and **CARRIED**, the Board approved the Independent Board Counsel's recommendation and remanded Agenda Item 8k for the taking of additional evidence on the following questions:

1. Whether when staff sent the member the second application, he was informed of the six-month deadline or alternatively whether he was told that the second application would be administered under Section 20160 of PERL, and its attendant requirements;
2. And, what, if any, explanation did the member provide in his April 29, 2013 letter to CalPERS, and whether or not any such explanation satisfied Sections 20160.

## **AGENDA ITEM 9 – STATE & FEDERAL LEGISLATION**

Danny Brown, Legislative Affairs Division Chief, provided an update on the State bill introductions and Federal bills.

### **AGENDA ITEM 10 – PUBLIC COMMENT**

Dolores Duran-Flores, representing California School Employees Association, spoke in opposition to the Governor's proposal on high deductible health plans and health savings accounts.

Christy Bouma, representing California Professional Firefighters, spoke in opposition to the Governor's proposal on high deductible health plans.

Sara Flocks, representing California Labor Federation, spoke in opposition to the Governor's proposal on high deductible health plans.

Neal Johnson, representing SEIU Local 1000, spoke in opposition to the Governor's proposal on high deductible health plans. Mr. Johnson also commented on labor/management issues.

Meeting was recessed to closed session at 10:21 a.m.

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ANNE STAUSBOLL  
Chief Executive Officer



## Meeting Summary

February 19, 2015

The Investment Committee met on February 17, 2015.

### **The Committee conducted an election for the Chair and Vice Chair positions:**

- Henry Jones was elected as Chair of the Committee
- Bill Slaton was elected as Vice Chair of the Committee

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

- Draft general and investment-related guidelines to provide staff with a framework to engage on legislative, regulatory, and policy proposals.
- The performance and risk profiles of the Public Employees' Retirement Fund and Affiliate Funds as of December 31, 2014.
- Proposed revisions to CalPERS' Total Fund Policy to reduce redundancy, remove procedural language, and increase consistency and clarity.
- Proposed establishment of a Statement of Investment Policy for the Global Governance Program and integration of three legacy policies.
- The accomplishments and initiatives of the Global Governance Program over the previous quarter.

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

- In March staff will return to the Committee with recommendations to approve the revision of the Total Fund Policy, adoption of a Global Governance Policy, and repeal associated legacy policies.
- Additionally, the Committee will conduct its annual review of the authorities delegated to it by the Board of Administration.

The next meeting of the Investment Committee is scheduled for March 16, 2015 in Sacramento, California.