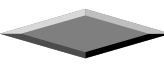


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
MINUTES OF MEETING
Wednesday, March 18, 2015**



The Board of Administration met on Wednesday, March 18, 2015 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
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 congratulated all the newly elected Committee Chairs and Vice Chairs. President Feckner thanked staff, Board Members and consultants for attending the Kings game. President Feckner spoke of the CalPERS Jammin’ for the Cure Kick-off for Susan G. Komen and the diversity meeting with Stedman Graham.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

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

- The first reading of the Business Plan for 2015-17 fiscal years,

- Health care negotiations,
- The Investment Office's Cost Effectiveness Initiative,
- The proposed employer pension contribution rates for the State of California, and for the contracting school districts for the next fiscal year,
- The CalPERS Benefit Education Events,
- The United Nations Environmental Program (UNEP) roundtable,
- The Cost Effectiveness Measurement (CEM) Global Pension Administration Conference,
- The 10th anniversary of Sunshine Week,
- And the annual APEX Program.

Ms. Stausboll thanked Barbara Galli, Anne-Marie Trout and Josh Robinson for their dedication in handling the Public Records Act requests in the Office of Stakeholder Relations.

Ms. Stausboll recognized Liana Bailey-Crimmins for being named the 2015 Chief Information Officer of the year by the California CIO Academy. Ms. Stausboll also recognized Dirk Benson, Andrea Spears, George Akiyama and Bhaskar Rudrakshala for receiving honors from the CIO Academy.

Ms. Stausboll also recognized Sally Ly and her co-workers in the Diversity Outreach Program who, continue to exhibit the highest level of professionalism, dedication and commitment and thanked them for the Stedman Graham event.

b. Chief Investment Officer Report

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

As of January 31, 2015 the total fund performance for the fiscal year-to-date period was negative 0.8 percent. Importantly, over longer time periods, the total fund continues to exhibit solid returns. The 3-year return is 10.6 percent and the 5-year return is at 10.1 percent. The 10-year return is at 6.3 percent and the 20-year return of the fund is 8.2 percent. All asset class allocations are within policy ranges. The total fund assets are valued at \$293 billion.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

- a. Approval of February 19, 2015 Board of Administration Meeting Minutes
- b. Board Travel Approvals

Four additional travel requests were submitted by Ron Lind, JJ Jelincic and Henry Jones. The requests are attached to these minutes.

On **MOTION** by Priya Mathur, **SECONDED** by Theresa Taylor 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 April 15, 2015 Board of Administration 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, March 16, 2015.

Additional information may be found in the March 16, 2015 Agenda materials and transcripts of the Committee meeting.

The next meeting of the Investment Committee is scheduled for April 13, 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 Tuesday, March 17, 2015.

On **MOTION** by Committee and **CARRIED**, the Board approved the staff's proposed minor clarifying changes to the Pension & Health Benefits Committee Delegation for Board approval at the April meeting. (PHBC Item 5)

On **MOTION** by Committee and **CARRIED**, the Board approved the General Guidelines, Retirement Guidelines, and Health Guidelines of the proposed CalPERS Legislative and Policy Engagement Guidelines with minor changes and to repeal the corresponding legacy legislative guidelines. The attachment reflects all the changes from both the Investments and Pension & Health Benefits Committees. (PHBC Item 6)

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

The next meeting of the Pension and Health Benefits Committee is scheduled for April 14, 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 Tuesday, March 17, 2015.

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed Finance & Administration Committee Delegation Resolution for Board consideration and approval at the April 2015 Board meeting. (FAC Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved:

1. The June 30, 2014 Judges' Retirement System Actuarial Valuation Report and the corresponding transmittal letter to the Governor and Legislator.
2. Continuing to encourage the Governor and Legislature to adopt an employer contribution schedule that includes advanced funding of the Judges' Retirement System. (FAC Item 6a)

On **MOTION** by Committee and **CARRIED**, the Board approved the Treasury Management Policy which includes the revisions to the policy resulting from the Board's first reading of the policy during the February 2015 meeting of the Finance and Administration Committee. (FAC Item 7a)

On **MOTION** by Committee and **CARRIED**, the Board approved the Fiscal Year (FY) 2015-16 Annual Budget Proposal as a First Reading in the amount of \$1,819,708,000, with 2,765 positions, as detailed in the agenda item and approved the transmittal of this agenda item as detailed in the agenda item. (FAC 7b)

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

The next meeting of the Finance and Administration Committee is scheduled for April 14, 2015 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, March 17, 2015.

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

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed changes to the Performance, Compensation & Talent Management Committee Delegation to the Board for review and approval at the April 2015 Board meeting. (PCTM Item 6)

On **MOTION** by Committee and **CARRIED**, the Board approved staff to conduct a comprehensive salary survey of all positions covered under the Board's Executive Compensation Policies and Procedures. (PCTM Item 7)

On **MOTION** by Committee and **CARRIED**, the Board approved the Semi-annual Status Reports for the 2014-15 fiscal year for the Chief Executive Officer and Chief Investment Officer. (PCTM Item 8)

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

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for June 16, 2015 in Sacramento, California.

e. Risk and Audit Committee

Ron Lind, Chair, Risk and Audit Committee, presented the Committee Summary report to the Board. The Committee met on Tuesday, March 17, 2015.

The Committee elected Ron Lind as Chair, and JJ Jelincic as Vice Chair.

On **MOTION** by Committee and **CARRIED**, the Board approved the proposed Risk & Administration Committee Delegation Resolution for Board consideration and approval at the April 2015 Board meeting. (RAC Item 6)

On **MOTION** by Committee and **CARRIED**, the Board approved the Draft Management Letter as prepared by Macias, Gini & O'Connell, LLP. (RAC Item 7a)

On **MOTION** by Committee and **CARRIED**, with one recusal from Grant Boyken, the Board approved the independent third-party valuations and certifications of the Judges' Retirement System, Judges' Retirement System II, Legislators' Retirement System, and the 1959 Survivor Benefit Program as of June 30, 2013, as detailed in the agenda item. (RAC Item 7b)

On **MOTION** by Committee and **CARRIED**, the Board approved the Final Parallel Actuarial Report on the independent reviews of the actuarial valuations for the various pension plans administered by CalPERS. (RAC Item 7c)

On **MOTION** by Committee and **CARRIED**, the Board approved the release of a revised Request for Proposal (RFP) – for Parallel Actuarial Valuation Services seeking an external firm to provide actuarial valuation and certification services to the Board of Administration. (RAC Item 7d)

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

The next meeting of the Risk and Audit Committee is scheduled for June 16, 2015 in Sacramento, California.

f. Board Governance Committee

The committee did not meet in March.

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 Michael Bilbrey 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, 8b, 8d through 8g and 8i, including the minor modification to Agenda Item 8i as argued by staff as the Board’s own decisions.

Agenda Item 8c was tabled until the April 2015 Board meeting.

On **MOTION** by Henry Jones, **SECONDED** by Richard Costigan and **CARRIED**, the Board approved the Independent Board Counsel’s recommendation and remanded Agenda Item 8h for the taking of additional evidence on the question of whether, and if so how, the facts of this case differ from the facts of the Board’s Precedential Decision number 00-06.

AGENDA ITEM 9 – PRECEDENTIAL DECISION

On **MOTION** by Henry Jones, **SECONDED** by Ron Lind, and **CARRIED**, the Board approved the Independent Board Counsel’s recommendations for the CalPERS Legal Office to solicit written comments from the public on whether or not to designate the decision at Agenda Item 9a as Precedential Board Decision. (BOA Item 9a)

AGENDA ITEM 10 – STATE & FEDERAL LEGISLATION

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

AGENDA ITEM 11 – PUBLIC COMMENT

There were no comments made.

Meeting was recessed to closed session at 9:57 a.m.

ANNE STAUSBOLL
Chief Executive Officer

Attachments:

1. Ron Lind travel request to Chicago Investor Briefing in Chicago, IL – 4/8-10/2015
2. Michael Bilbrey travel request to NCPERS in New Orleans, LA – 5/1-7/2015
3. Ron Lind travel request to ICGN Annual Conference in London – 6/2-6/2015
4. JJ Jelincic travel request to Trustee Leadership Forum in Boston, MA – 6/3-6/2015
5. Henry Jones travel request to Toigo Board Meeting in New York, NY – 6/10-13/2015
6. Henry Jones travel request to CSR Meeting in Medford, OR – 6/17-18/2015
7. Henry Jones travel request to Toigo Board Meeting in New York, NY 12/9-12/2015



Agenda Item 5b

March 18, 2015

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
Ron Lind	4/8/15-4/10/15	Chicago, IL	Chicago Investor Briefing
Michael Bilbrey	5/1/15-5/7/15	New Orleans, LA	NCPERS
Ron Lind	6/2/15-6/6/15	London	ICGN Annual Conference
JJ Jelincic	6/3/15-6/6/15	Boston, MA	Trustee Leadership Forum
Henry Jones	6/10/15-6/13/15	New York, NY	Toigo Board Meeting
Henry Jones	6/17/15-6/18/15	Medford, OR	CSR Meeting
Henry Jones	12/9/15-12/12/15	New York, NY	Toigo Board Meeting

Rob Feckner, President
Board of Administration



Meeting Summary

March 18, 2015

The Investment Committee met on March 16, 2015.

The Committee discussed and approved:

- The submission of the current Committee Delegation, with no changes, to the Board of Administration for consideration.
- Adoption of a revised Total Fund policy and repeal of fifteen legacy policies to reduce redundancy, remove procedural language, and enhance clarity and consistency.
- Adoption of a new statement of investment policy for the Global Governance Program, and repeal of three legacy policies which have been incorporated into the new policy, the:
 - Global Proxy Voting Policy
 - Corporate Governance Director Nominations Policy
 - Emerging Equity Markets Principles Policy
- Revision of the Responsible Contractor Program including the incorporation of the Neutrality Trial Policy into the Responsible Contractor Program Policy and repeal of the legacy Neutrality Trial Policy.
- General, and Investments-specific, policy and legislative engagement guidelines.

The Committee heard Public Comment on the following topics:

- CalPERS' Responsible Contractor Program Policy

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

- In April the Committee will receive an update on the cost effectiveness of the Investment Office from the Chief Operating Investment Officer.

The next meeting of the Investment Committee is scheduled for April 13, 2015 in Sacramento, California.