

MEETING
STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
OPEN SESSION

ROBERT F. CARLSON AUDITORIUM
LINCOLN PLAZA NORTH
400 P STREET
SACRAMENTO, CALIFORNIA

THURSDAY, SEPTEMBER 17, 2015

9:01 A.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 10063

A P P E A R A N C E S

BOARD MEMBERS:

Mr. Rob Feckner, President

Mr. Henry Jones, Vice President

Mr. Michael Bilbrey

Mr. John Chiang, represented by Ms. Christina Elliott

Mr. Richard Costigan

Mr. Richard Gillihan

Ms. Dana Hollinger

Mr. J.J. Jelincic

Mr. Ron Lind

Ms. Priya Mathur

Mr. Bill Slaton

Ms. Theresa Taylor

Ms. Betty Yee

STAFF:

Ms. Anne Stausboll, Chief Executive Officer

Mr. Douglas Hoffner, Deputy Executive Officer

Mr. Doug McKeever, Deputy Executive Officer

Ms. Donna Lum, Deputy Executive Officer

Mr. Brad Pacheco, Interim Deputy Executive Officer

Ms. Cheryl Eason, Chief Financial Officer

Mr. Ted Eliopoulos, Chief Investment Officer

Mr. Matthew Jacobs, General Counsel

A P P E A R A N C E S C O N T I N U E D

STAFF:

Mr. Alan Milligan, Chief Actuary

Mr. Scot Blackledge, Assistant Chief, Legislative Affairs
Division

Ms. Kara Buchanan, Board Secretary

ALSO PRESENT:

Mr. Al Darby, Retired Public Employees Association

Mr. Chirag Shah, Shah and Associates(via teleconference)

I N D E X

	PAGE
1. Call to Order and Roll Call	1
2. Pledge of Allegiance	2
3. Board President's Report	2
4. Executive Reports	
a. Chief Executive Officer's Report (Oral)	3
b. Chief Investment Officer's Report (Oral)	11
5. Consent Items Action Consent Items:	12
a. Approval of the August 19, 2015 Board of Administration Meeting Minutes	
b. Board Travel Approvals	
6. Consent Items	12
Information Consent Items:	
a. Board Meeting Calendar	
b. Draft Agenda for the October 21, 2015 Board of Administration Meeting	
c. General Counsel's Report	
d. External Affairs Report	
7. Committee Reports and Actions	
a. Investment Committee (Oral)	12
b. Pension and Health Benefits Committee (Oral)	14
c. Finance and Administration Committee (Oral)	14
d. Performance, Compensation & Talent Management Committee (Oral)	14
e. Risk and Audit Committee (Oral)	16
f. Board Governance Committee (Oral)	18
Action Agenda Items	
8. Proposed Decisions of Administrative Law Judges	18
a. Elisa Manzo	
b. David Galloway	
c. Michelle Boyer	
d. Robert B. Paxton, M.D., Howard M. Skopec, M.D., Danilo V. Lucila, M.D. (Consolidated)	
e. Jamela L. Bonner	
f. Dohn V. Salvador	
g. Toni Reynolds	
h. Bruce Malkenhorst	
i. Evello Fernando	
j. Diane E. Martin	
k. Gloria Hannah	

I N D E X C O N T I N U E D

	PAGE
9. Final Proposed Regulation for Payment of Interest	23
Information Agenda Items	
10. State Legislation Update	25
11. Public Comment	30
CLOSED SESSION	
12. Litigation Matters	33
a. In re: City of Stockton (U.S. Bankruptcy Court, Eastern District of CA, No. 12-32118); In re: City of San Bernardino (U.S. Bankruptcy Court, Central District of CA, No. 2-BK-28006)	
b. Potential Litigation - Investment Matter	
c. Potential Litigation - Contract Dispute	
d. CalPERS v. Moody's Corp., (San Francisco Superior Court, Case No. CGC-09-490241)	
e. Marzec, et al. v. CalPERS, et al., (Los Angeles County Superior Court Case Nos. BC461887, BC480695)	
13. Review of 2014-15 Performance: Chief Executive Officer; Review of Chief Executive Officer's Direct Reports: Chief Investment Officer, Chief Actuary, General Counsel and Chief Financial Officer(Government Code sections 11126 (a)(1) and (g)(1)	33
Adjournment	33
Reporter's Certificate	34

1 P R O C E E D I N G S

2 PRESIDENT FECKNER: Good morning. We'd like to
3 call the Board of Administration meeting to order.

4 The first order of business will be to call the
5 roll, please?

6 BOARD SECRETARY BUCHANAN: Good morning. Thank
7 you.

8 PRESIDENT FECKNER: Good morning.

9 BOARD SECRETARY BUCHANAN: Rob Feckner?

10 PRESIDENT FECKNER: Good morning.

11 BOARD SECRETARY BUCHANAN: Henry Jones?

12 VICE PRESIDENT JONES: Here.

13 BOARD SECRETARY BUCHANAN: Michael Bilbrey?

14 BOARD MEMBER BILBREY: Good morning.

15 BOARD SECRETARY BUCHANAN: Christina Elliott for
16 John Chiang?

17 ACTING BOARD MEMBER ELLIOTT: Here.

18 BOARD SECRETARY BUCHANAN: Richard Costigan?

19 BOARD MEMBER COSTIGAN: Good morning.

20 BOARD SECRETARY BUCHANAN: Richard Gillihan?

21 BOARD MEMBER GILLIHAN: Here.

22 BOARD SECRETARY BUCHANAN: Dana Hollinger?

23 BOARD MEMBER HOLLINGER: Here.

24 BOARD SECRETARY BUCHANAN: J.J. Jelincic?

25 BOARD MEMBER JELINCIC: Here.

1 BOARD SECRETARY BUCHANAN: Ron Lind?

2 BOARD MEMBER LIND: Here.

3 BOARD SECRETARY BUCHANAN: Priya Mathur?

4 BOARD MEMBER MATHUR: Good morning.

5 BOARD SECRETARY BUCHANAN: Bill Slaton?

6 BOARD MEMBER SLATON: Here.

7 BOARD SECRETARY BUCHANAN: Theresa Taylor?

8 BOARD MEMBER TAYLOR: Here.

9 BOARD SECRETARY BUCHANAN: And Lynn Paquin for
10 Betty Yee?

11 ACTING BOARD MEMBER PAQUIN: Here.

12 PRESIDENT FECKNER: Thank you.

13 The next order of business will be the pledge of
14 Allegiance. I've asked Al Darby to please lead us in the
15 pledge. If we could all please rise.

16 (Thereupon the Pledge of Allegiance was
17 recited in unison.)

18 PRESIDENT FECKNER: Thank you.

19 Now, Item 3 is the Board President's report. So
20 I'd first of all like to welcome everyone this morning.
21 Thanks for being here. Thanks for joining us.

22 I'd like to this morning to dedicate my report to
23 all of the public employees who are helping to fight the
24 fires in Lake, Butte, as well as Calaveras counties. I
25 want to especially acknowledge and thank those

1 firefighters and the emergency personnel that put
2 themselves in harm's way to save the lives and property of
3 California's citizens, and even our own four-legged
4 friends that have been impacted by these devastating
5 fires.

6 Nearly 8,000 men and women are battling the first
7 across over 150,000 acres. I, as one Board member,
8 personally know 3 people that have lost their homes in the
9 Lake County fire. And I'm certain that other public
10 employees and their families are in similar situations.

11 So on behalf of the CalPERS Board, we offer our
12 heartfelt condolences during this difficult time and wish
13 our brothers and sisters and their families all the best
14 as they rebuild their homes, their communities, and their
15 lives. Thank you for your sacrifices, your dedication to
16 commitment, and for serving those who serve California.

17 Thank very much.

18 Moving to Item 4, Executive Report. 4a, the
19 Chief Executive Officer's report. Ms. Stausboll.

20 CHIEF EXECUTIVE OFFICER STAUSBOLL: Good morning,
21 Mr. President, and members of the Board.

22 PRESIDENT FECKNER: Good morning.

23 CHIEF EXECUTIVE OFFICER STAUSBOLL: As always, I
24 have lots to report about what's been going on this last
25 month and coming up.

1 Earlier this month, we released our annual report
2 on CalPERS economic impacts in California. We put this
3 report out each year. This is the report for the fiscal
4 year ending June 30. And as you probably know, the report
5 highlights the vital role that CalPERS plays in our
6 state's economy. It demonstrates how our benefit payments
7 and investments generate significant economic activity to
8 stimulate business growth, increase tax revenues, and
9 support and create jobs for Californians.

10 And you can access the report on our website.
11 We're trying to get the word out, so I encourage you to
12 share it with your friends and colleagues.

13 We closed out the summer months by hosting 3
14 important events here at CalPERS. The Global CFO Forum
15 took place at the beginning of the month, and then just
16 last week we hosted our diversity events.

17 About the CFO Forum, this was the 6th Annual
18 Global CFO Forum. And it was the second year that CalPERS
19 has had the honor of hosting it. So during this 2-day
20 event, CFOs had a chance to network and exchange ideas
21 with their colleagues from across the globe. We had
22 attending leaders from 29 pension funds, including
23 Australia, Canada, China, Singapore, Sweden, and the
24 United States. Ten California funds were also
25 represented. And the feedback we got was overwhelmingly

1 positive.

2 And then last week, we hosted our Second Annual
3 Emerging and Diverse Manager Day. We had 76 investment
4 firms from around the world who came to our CalPERS campus
5 for meetings with senior Investment Office executives and
6 advisors. And as always, that was well received.

7 And then we had the next day the Diversity Forum.
8 We had over 350 folks attending. And that also was very
9 successful. So I'd like to acknowledge Cheryl Eason and
10 her team for the work on the CFO conference, and Laurie
11 Weir, in particular, from Investments and her team, along
12 with all the CalPERS staff who assisted in making these
13 events successful. So thank you all of you for making
14 CalPERS look good.

15 Great. Thank you. We also appreciated the Board
16 member turnout at both events.

17 Before I go further, I wanted to take a moment to
18 introduce to you one of the newer members of our teams,
19 our new Chief Auditor Beliz Chappuie. She's been here
20 since the end of July, and I think many of you have
21 already met her. But I haven't had the opportunity to
22 introduce here in the Board room.

23 Beliz came to CalPERS from the Department of
24 Finance, Office of State Audits and Evaluations. There
25 she was responsible for performance, compliance, financial

1 audits, and the implementation of legislative reforms. So
2 she brings a lot of auditing experience and background.
3 We're very excited to have her on the team.

4 There's Beliz. Welcome.

5 PRESIDENT FECKNER: Welcome.

6 CHIEF EXECUTIVE OFFICER STAUSBOLL: All right.

7 Turning back to the theme of our CalPERS events. Tomorrow
8 and Saturday, September 18 and 19, we're doing our final
9 CBEE, Benefits Education Event for 2015. And that is
10 going to be here in Sacramento. I think several of you
11 are attending, which is fantastic. It's at the convention
12 center from 8:30 a.m. to 4:00 PM. And we have close to
13 6,000 members who've indicated that they're going to
14 attend this event. Of course, not everyone who
15 pre-registers will attend, but we anticipate a big
16 increase over the turnout last year, which was about 3,000
17 So looking forward to that.

18 That will give us a dozen of the CBEE events that
19 we've held throughout the State this year. We're finished
20 for this year. We'll be starting them up again after the
21 first of the new year. And there's a schedule on the
22 website.

23 Looking ahead, we've got one more big event this
24 calendar year. That's the annual Employer Education
25 Forum. We're busy finalizing the plans. It's scheduled

1 for October 26th to 28 at the convention center in San
2 Jose. This is our 16th annual forum. It's always a
3 really positive and productive event. Looking forward to
4 meeting with our employers and talking about our
5 partnership with them and how we can do our best in
6 delivering benefits to their employees.

7 Turning now to some of our other ongoing
8 activities. Based on the feedback from the Board last
9 month, our staff has begun drafting a funding risk
10 mitigation policy, putting in the details following the
11 conceptual direction that we got last month.

12 So we'll be seeking comments and feedback from
13 stakeholders on the draft in the coming weeks. We plan to
14 bring the policy back through the Finance and
15 Administration Committee for a first reading in October.
16 And right now, we're also working on completing our
17 end-of-year financial reports, as well as the annual
18 employer valuations.

19 On the health side, on Monday, the open
20 enrollment period began for 2016, and it runs through
21 October 9. We've been working hard over the past few
22 months to make sure our members get all the information
23 they need to make their health care choices. And in
24 particular this year, we want to make sure that the
25 members enrolled in our Medicare plans are aware that we

1 now have a single provider to replace the coverage under
2 the non-Kaiser HMO Medicare plans.

3 The UnitedHealthcare Group Medicare Advantage PPO
4 plan is going to replace those plans. And members will
5 automatically be switched to UnitedHealthcare coverage for
6 2016, unless they decide or opt to move to a different
7 plan during open enrollment.

8 And, as you know, Kaiser will continue to offer
9 its Senior Advantage Medicare plan. And the PPO -- our
10 PPO Medicare supplement plans will remain in place. So
11 we've put a lot of details about this in the open
12 enrollment packets and on the website.

13 As some of you know, we've received quite a few
14 questions recently from some of our Medicare members about
15 this new UnitedHealthcare plan. So last week, we held a
16 special retiree stakeholder meeting to address questions.
17 We had representatives from UnitedHealthcare also present
18 at the meeting. So we got some really good feedback at
19 that meeting. We and UnitedHealthcare are taking steps
20 now to strengthen the communication. You've got in your
21 folder some of the materials that we've provided to the
22 retiree association leaders, and that you could also use
23 in outreach.

24 We've also enhanced our website with Q&A
25 documents and more plan details. So we're doing

1 everything we can to make sure our members make informed
2 decisions.

3 We've also just kicked off the annual State
4 worker charitable gift giving campaign. The theme this
5 year is we give to make a difference. CalPERS employees
6 are always very active and generous in this campaign.
7 Chairing this year is Sabrina Hutchins. She's Chief of
8 our Enterprise Strategic and Performance Division, and
9 she's co-chairing with Carene Carolan who's one of our
10 newer senior leaders. So I want to thank them both for
11 taking that on in addition to their regular duties.

12 Finally, I wanted to touch upon the construction
13 that we're doing. You may have noticed around the campus
14 some of the signs saying to wear a hard hat and the
15 fences. In response to the 4th year of drought, we're
16 installing a new landscape design in several areas here on
17 site using drought tolerant plants and sustainable
18 materials.

19 So the construction is going to take several
20 months. The areas we're focusing on are the 3rd floor
21 terrace here in this building, and then the R Street side
22 of Lincoln Plaza across the street. So when it's
23 finished, we will have beautiful models of water
24 conservation, innovation, and sustainability. So looking
25 forward to that getting done.

1 And finally, as always, I'd like to end my report
2 this morning by acknowledging the wonderful work done by a
3 few of our members -- or employees here to promote efforts
4 at creating an innovative culture here at CalPERS. And as
5 I reported on last month in August, we held our annual
6 all-staff forum. And this year's theme was leading
7 through innovation. And the forum featured 6 of our staff
8 presenters showcasing the innovative work that their areas
9 are doing to help make our jobs more efficiently and serve
10 our members better.

11 But I wanted to acknowledge these staff for the
12 presentations they made here in the auditorium. They had
13 to do it four times, and we always have standing room only
14 at these events. And we all know how difficult it can be
15 to stand up alone on a stage in front of hundreds of
16 people and talk for five or 10 minutes, especially when
17 you're not used to doing that.

18 But they all did it because they felt it was
19 important to tell their stories. And so today, I want to
20 recognize them. And these folks are here now. I'd like
21 to ask them to stand. Dallas Stone from the Sacramento
22 Regional Office; Kathy Donneson from the Health Plan
23 Administration Division, Sabrina Hutchins from Enterprise
24 Strategies, Lisa Kunz from Public Affairs, Stacie Walker
25 from the Enterprise Solutions Development Division, and

1 Liana Bailey-Crimmins from Information Technology. So
2 thank you all for helping our employees understand the
3 important work you're doing.

4 (Applause.)

5 CHIEF EXECUTIVE OFFICER STAUSBOLL: Thank you,
6 Mr. President. That concludes my remarks for this
7 morning. I'm happy to answer any questions.

8 PRESIDENT FECKNER: Thank you. Seeing no
9 requests.

10 We'll move to 4b, Chief Investment Officer's
11 Report. For that, I call on Mr. Eliopoulos.

12 There you go.

13 CHIEF INVESTMENT OFFICER ELIOPOULOS: There we
14 go. Yeah. Good morning, President Feckner --

15 PRESIDENT FECKNER: Good morning.

16 CHIEF INVESTMENT OFFICER ELIOPOULOS: -- and
17 members of the Board. I have a brief update on the
18 performance of the Public Employees' Retirement Fund as of
19 July 31st, 2015. The total fund performance for the
20 fiscal year to date, which covers only the month of July,
21 since the fiscal year just began, is 0.3 percent.

22 Of course, we like to look at much longer time
23 periods as they are more meaningful for measuring our
24 performance. The 3-year return is 10.6 percent, the
25 5-year return is 9.9 percent, the 10-year return is 6.0

1 percent, and the 20-year return of the PERF is 7.7
2 percent.

3 All asset classes allocations are within their
4 policy ranges. And the total fund assets were valued as
5 of July 31st, 2015 at \$301.6 billion.

6 Mr. President, that is my report.

7 PRESIDENT FECKNER: Thank you.

8 Seeing no requests.

9 We move to Item 5, which is the consent calendar.
10 That is the minutes and Board travel.

11 BOARD MEMBER JELINCIC: I'll move.

12 PRESIDENT FECKNER: It's moved by Jelincic.

13 BOARD MEMBER TAYLOR: Second.

14 PRESIDENT FECKNER: Seconded by Taylor.

15 Any discussion on the motion?

16 Seeing none.

17 All in favor say aye?

18 (Ayes.)

19 PRESIDENT FECKNER: Opposed, no?

20 Motion carries.

21 Item 6 is the information consent items. Having
22 no requests to move anything off, we'll move on to number
23 7, the Committee reports.

24 7a, Investment Committee. For that, I call on
25 the Chair, Mr. Jones.

1 VICE PRESIDENT JONES: Thank you, Mr. President.

2 The Investment Committee discussed and
3 approved -- well, actually met on September the 15th, and
4 we discussed and approved:

5 Staff's request to initiate the Request for
6 Proposal process for the real estate Board investment
7 consultant.

8 The Committee also received presentations on the
9 following:

10 The annual review of the Global Equity Program by
11 staff and Wilshire Associates; the results from the July
12 Board and executive off-site session on CalPERS'
13 Investment Beliefs, and staff's proposed path forward; a
14 report by Wilshire Associates on the comparative
15 performance and risk of the total fund against a peer
16 universe of public funds; an update on the progress of the
17 investment related strategic measures; a review of the
18 proposed revisions to the global Equity Program Policy;
19 and, an update on the Enhanced Focus List Program.

20 Highlights of what to expect at the upcoming
21 Investment Committee include:

22 In October, staff will present a report on coal
23 investments in the CalPERS investment portfolio. Also,
24 they will present the annual program review for the Global
25 Fixed Income Programs.

1 The next meeting of the Investment Committee is
2 scheduled for October 19, 2015 in Sacramento, California.

3 That concludes my report, Mr. President.

4 PRESIDENT FECKNER: Thank you.

5 Brings us to Item 7b, Pension and Health
6 Committee. There was no meeting and no report.

7 7c, Finance and Administration. No meeting, no
8 report.

9 Item 7d, Performance, Compensation and Talent
10 Management. I call on the Chair, Mr. Bilbrey.

11 BOARD MEMBER BILBREY: Thank you, Mr. President.

12 The Performance, Compensation, and Talent
13 Management Committee met on September 16th, 2015. The
14 Committee recommends and I move the Board approve the
15 following:

16 Agenda Item 5, 2015 Biennial Salary Survey for
17 Executive Investment Positions. Approve a revised annual
18 salary range of 108,000 to 162,000, and an incentive range
19 of 0 to 40 percent for the Associate Investment Manager
20 classification.

21 PRESIDENT FECKNER: On motion by Committee.

22 Any discussion on the motion?

23 Seeing none.

24 All in favor say aye?

25 (Ayes.)

1 PRESIDENT FECKNER: Opposed, no?

2 Please record Mr. Jelincic as abstaining. Motion
3 carries.

4 BOARD MEMBER BILBREY: Approve the proposed peer
5 comparator group for the executive management positions to
6 include leading U.S. public funds, leading Canadian public
7 funds, select California based agencies, including large
8 local agencies, banks and insurance companies.

9 PRESIDENT FECKNER: On motion by Committee.

10 Any discussion on the motion?

11 Seeing none.

12 All in favor say aye?

13 (Ayes.)

14 PRESIDENT FECKNER: Opposed, no?

15 Motion carries.

16 BOARD MEMBER BILBREY: Approve an increase to the
17 maximum of the base salary ranges by 5 percent for the
18 follow classifications: Chief Executive Officer, General
19 Counsel, Chief Operating Investment Officer, Managing
20 Investment Director, Investment Director, and Investment
21 Manager

22 PRESIDENT FECKNER: On motion by Committee.

23 Any discussion on the motion?

24 Seeing none.

25 All in favor say aye?

1 (Ayes.)

2 PRESIDENT FECKNER: Opposed, no?

3 (No.)

4 PRESIDENT FECKNER: Motion carries. Please note
5 Mr. Jelincic as abstaining on all three of those votes.

6 BOARD MEMBER BILBREY: The Committee received a
7 report on the following informational item: Workforce
8 strategic plan update.

9 At this time, I'd like to share a preview of what
10 to expect at the October Performance, Compensation, and
11 Talent Management Committee meeting. The Committee will
12 receive an update from the Subcommittee on the primary
13 executive compensation consultant Request for Proposal,
14 and a closed session will be held to conduct a review of
15 the 2014/15 performance of the Chief Investment Officer
16 and other positions covered by the Board's compensation
17 policy.

18 The next meeting of the Performance, Compensation
19 and Talent Management Committee is scheduled for October
20 20th, 2015 in Sacramento.

21 Thank you, Mr. President.

22 PRESIDENT FECKNER: Thank you.

23 That brings us to item 7e, Risk and Audit
24 Committee. For that I call on the Chair, Mr. Lind.

25 BOARD MEMBER LIND: Thank you.

1 The Risk and Audit Committee met on September
2 26th, 2015. Vice Chair Jelincic removed Agenda Item 4e,
3 the 2014/15 Annual Compliance Report from the information
4 consent items for discussion.

5 The Committee recommends and I move that the
6 Board approve the top 3 actuarial parallel valuation and
7 certification services candidates for finalist interviews
8 at the November Risk and Audit Committee meeting.

9 PRESIDENT FECKNER: On motion by Committee.

10 Any discussion on the motion?

11 Seeing none.

12 All in favor say aye?

13 (Ayes.)

14 PRESIDENT FECKNER: Opposed, no?

15 Motion carries.

16 BOARD MEMBER LIND: The Committee recommends and
17 I move that the Board approve the engagement of the
18 Department of Finance to review the Office of Internal
19 Audits Services Quality Assurance and Improvement Program.

20 PRESIDENT FECKNER: On motion by Committee.

21 Any discussion on the motion?

22 Seeing none.

23 All in favor say aye?

24 (Ayes.)

25 PRESIDENT FECKNER: Opposed, no?

1 Motion carries.

2 BOARD MEMBER LIND: In November, the Risk and
3 Audit Committee will review a Request for Proposal for the
4 selection of the independent financial statement auditor
5 for audit years 2017 to 2021, interview finalists for
6 actuarial parallel valuation and certification services,
7 and review the external auditor's report for fiscal year
8 2014/2015.

9 The next meeting of the Risk and Audit Committee
10 is scheduled for November 17th, 2015 in Sacramento.

11 PRESIDENT FECKNER: I thank you.

12 That brings us to Agenda Item 7f, Board
13 Governance Committee. That Committee is meeting at the
14 conclusion of this meeting today. So there's no report
15 until next month.

16 That brings us to Agenda Item 8, the proposed
17 decisions of administrative law judges. First of all, I
18 want to remind the Board that Chirag Shah, the Board's
19 independent counsel for administrative decisions is on the
20 phone.

21 Good morning, Chirag.

22 MR. SHAH: Good morning, Mr. President, members
23 of the Board.

24 PRESIDENT FECKNER: We do have a question for
25 you. Mr. Jelincic raised a question on Item D, D as in

1 dog. Can you tell us what your final recommendation was
2 on that, please. There seems to be some confusion.

3 MR. SHAH: Sure. My final recommendation on that
4 is to adopt the PD with a couple of minor modifications.
5 So the minor modifications are, one, to strike the
6 language in the proposed decision which incorrectly states
7 that the bonus program was available to all medical
8 consultants; and, two, to strike the unnecessary sentence
9 in factual finding 49 on page 22, which reads as follows:
10 Quote, "In Dr. Paxton's case, he has not retired and he
11 has no vested right to any given amount of pension
12 benefit".

13 PRESIDENT FECKNER: Thank you. Appreciate that
14 clarification. So Item 8d as in dog has been requested to
15 be pulled and voted on separately.

16 So we have Mr. Jones.

17 VICE PRESIDENT JONES: Yeah. Thank you, Mr.
18 President.

19 I move to accept the recommendations of our
20 independent Board counsel and adopt the proposed decisions
21 at Agenda items 8a through 8c, 8e through 8g, and 8i
22 through 8k as the Board's own decision in their entirety.

23 PRESIDENT FECKNER: Okay. So we're taking out D
24 and J, correct?

25 VICE PRESIDENT JONES: Yes.

1 MR. SHAH: D and H, Mr. President.

2 PRESIDENT FECKNER: D and H, not J. Okay. D and
3 H.

4 Okay. Is there a second?

5 BOARD MEMBER MATHUR: Second.

6 PRESIDENT FECKNER: It's been moved by Jones and
7 seconded by Mathur.

8 Any discussion on the motion?

9 Seeing none.

10 All in favor say aye?

11 (Ayes.)

12 PRESIDENT FECKNER: Opposed, no?

13 Motion carries.

14 We're back on Item 8d. Mr. Jones.

15 VICE PRESIDENT JONES: I move to accept the
16 recommendations of our independent board counsel and adopt
17 Agenda Item 8d with the following minor clarifying
18 changes: One, strike the language in the proposed
19 decision which incorrectly states that the bonus program
20 was available to all medical consultants; and, two, strike
21 the unnecessary sentence in factual finding 49 on page 22
22 which reads as follows: "In Dr. Paxton's case, he has not
23 retired and he has not vested..." -- "...no vested rights
24 to any given amount of pension benefit".

25 PRESIDENT FECKNER: All right. Is there a

1 second?

2 BOARD MEMBER MATHUR: Second.

3 PRESIDENT FECKNER: It's been moved by Jones,
4 seconded by Mathur.

5 Mr. Jelincic.

6 BOARD MEMBER JELINCIC: I would move to amend,
7 and that we rather refer it back to the ALJ to look at the
8 specific questions of whether it's PERSable under
9 Government Code section 20636, the impact of having these
10 contracts approved as statute, whether the bonus was
11 available to an appropriate class, and the accuracy or
12 necessity of the second-to-last sentence in paragraph 42
13 of the factual findings.

14 PRESIDENT FECKNER: Is there a second to the
15 proposed amendment?

16 Seeing none. The motion dies for lack of a
17 second. We're back on the --

18 BOARD MEMBER JELINCIC: The amendment dies.

19 PRESIDENT FECKNER: The amendment dies. Pardon
20 me.

21 So we're back on the main motion. Seeing no
22 further discussion.

23 All in favor say aye?

24 (Ayes.)

25 PRESIDENT FECKNER: Opposed, no?

1 (No.)

2 PRESIDENT FECKNER: Motion carries.

3 We're on --

4 BOARD MEMBER GILLIHAN: Mr. President, would you
5 record me as an abstention.

6 PRESIDENT FECKNER: Please record Mr. Gillihan as
7 abstaining on 8d.

8 We're now on 8h. Mr. Jones.

9 VICE PRESIDENT JONES: Yeah. Thank you, Mr.
10 President.

11 I move to accept the recommendation of our
12 independent board counsel and set Agenda Item 8h for a
13 fuel Board hearing in accordance with the established
14 procedures for full hearings before the Board on the
15 following specific issues:

16 One, whether the process by which CalPERS staff
17 arrived at the pay rate was arbitrary; two, whether any of
18 the pay at issue constitutes prohibited overtime for
19 purposes of PERL; and, three, whether the CalPERS staff is
20 time barred from recouping old payments made to members.

21 BOARD MEMBER MATHUR: Second.

22 PRESIDENT FECKNER: It's been moved by Jones,
23 seconded by Mathur.

24 Any discussion on the motion?

25 Seeing none.

1 All in favor say aye?

2 (Ayes.)

3 PRESIDENT FECKNER: Opposed, no?

4 Motion carries.

5 Thank you. Thank you, Mr. Chirag Shah. Thank
6 you.

7 MR. SHAH: Thank you, sir.

8 PRESIDENT FECKNER: That brings us to Agenda Item
9 9, Final Proposed Regulation for Payment of Interest.

10 Ms. Lum.

11 DEPUTY EXECUTIVE OFFICER LUM: Good morning, Mr.
12 President, members of the Board. Donna Lum, CalPERS
13 staff.

14 Agenda Item number 9 is an action item requesting
15 your approval to submit to the Office of Administrative
16 Law the proposed regulation establishing rules by which
17 interest payments would be made when a benefit payment has
18 been determined to be beyond a reasonable administrative
19 processing time.

20 As was recommended by the Board in the August
21 Finance Committee, the revised regulation now establishes
22 45 days as the reasonable administrative processing time.
23 As a result of the change, CalPERS posted a notice of
24 modification -- or notice of modification to the text of
25 the proposed regulation for a 15-day public comment

1 period, which began on August 20th and ended on September
2 4th, allowing for a additional comments.

3 During this period of time, we received two
4 comments on the regulation. One stating that the
5 regulation was unnecessary and inconsistent with current
6 law and should have been required to have an additional
7 45-day comment period, and the second comment was
8 requesting another public hearing.

9 CalPERS staff considered the comments and
10 believes that all the publication and hearing procedures
11 have been satisfied and is not recommending any changes to
12 the proposed regulation as modified at this time.

13 This concludes my presentation, and I'm happy to
14 answer any questions.

15 PRESIDENT FECKNER: Thank you.

16 Seeing no requests. Is this not an action item,
17 that is correct?

18 DEPUTY EXECUTIVE OFFICER LUM: That's correct.

19 PRESIDENT FECKNER: All right. What's the
20 pleasure of the Board?

21 BOARD MEMBER MATHUR: Move approval.

22 VICE PRESIDENT JONES: Second.

23 PRESIDENT FECKNER: It's been moved by Mathur,
24 seconded by Jones.

25 Any discussion on the motion?

1 Seeing none.

2 All in favor say aye?

3 (Ayes.)

4 PRESIDENT FECKNER: Opposed, no?

5 Motion carries.

6 DEPUTY EXECUTIVE OFFICER LUM: Thank you.

7 PRESIDENT FECKNER: Thank you.

8 That brings us to Item 10, State Legislative
9 Update. Mr. Blackledge.

10 LEGISLATIVE AFFAIRS ASSISTANT DIVISION CHIEF
11 BLACKLEDGE: Good morning. Scot Blackledge, CalPERS
12 staff.

13 I'll be providing a brief State legislative
14 update. With the legislature adjourning this past Friday
15 for the first year of the two-year legislative session,
16 several bills we have been tracking have made it to the
17 Governor's desk, while others await further action when
18 the legislature returns in January.

19 You have before you the list of bills that we
20 were tracking, but there are a couple of additions since
21 it went to print. In particular, I wanted to note -- or
22 bring to your attention, Senate Bill 99, which ratifies
23 bargaining agreements between the State and Bargaining
24 Units 9 and 10, which represent the engineers and
25 scientists.

1 As you may recall in January, the Governor's
2 proposed budget included several provisions designed to
3 control the State's health care spend, including the cost
4 of retiree health care. While most of those proposals
5 were held by the legislature, the administration reached
6 agreements with Units 9 and 10 to begin pre-funding
7 retiree health care through the CalPERS CERBT program for
8 all current and future Unit 9 and 10 employees with
9 required employee contributions beginning July 2017 and
10 ramping up over the following 2 years along with matching
11 employer contributions.

12 The agreements also provide for Unit 9 and 10
13 employees first hired by the State on and after January 1,
14 2016 the elimination of employer contributions from
15 Medicare Part B premiums, a longer retiree health care
16 vesting schedule that requires 15 years of service for a
17 50 percent employer contribution, and 25 years of service
18 for a full employer contribution. It also reduced the
19 maximum employer contribution for annuitants and their
20 family members to an 80/80 formula.

21 As for the two Board-sponsored bills, Senate Bill
22 216, our technical housekeeping bill, it received
23 unanimous support in the legislature and was signed into
24 law by the Governor on September 2nd.

25 Assembly Bill 1052, a bill we co-sponsored with

1 CalSTRS to streamline the Board's contracting authority
2 for investment related contracts, while also receiving
3 unanimous support in the legislature so far, encountered
4 late opposition by the Department of Finance. We are
5 having conversations with the administration to address
6 their concerns in anticipation of moving the bill forward
7 next year.

8 Of the bills that the Board has reviewed or taken
9 positions on this year, several have made it to the
10 Governor's desk, where he has until October 11th to sign
11 or veto. Of particular note is Senator de León's Senate
12 Bill 185, the thermal coal divestment bill. In addition,
13 Senate Bill 546, the large group health plan rate review
14 bill by Senator Leno, which CalPERS was able to support
15 once it was amended to eliminate the proposed rate
16 approval process.

17 And also on the Governor's desk is Senate Bill
18 671 by Senator Hill, which creates a pathway for
19 biosimilars to be prescribed here in California. We were
20 ultimately able to withdraw the Board's opposition once
21 the bill was amended to streamline the physician
22 notification requirements.

23 However, another bill the Board supported,
24 Assembly Bill 533 by Assembly Member Bonta, which would
25 have restricted the health care billing practice called

1 balance billing failed in its final concurrence vote on
2 the Assembly floor. However, it may be taken up again in
3 January.

4 Moving off the bill list and on to other
5 end-of-session action, a number of leadership changes were
6 made and announced. On the Senate side, the Senate
7 Republican installed Jean Fuller from Bakersfield as their
8 leader during the end of session, rather than wait until
9 their previously planned transition later this fall. She
10 replaces senator Bob Huff who is termed out at the end of
11 next year.

12 On the Assembly side there were more changes.
13 First, Assembly Member Jim Cooper has been named the
14 Assembly PERS Committee Chair replacing Assembly Member
15 Bonta, who remains the Health Committee Chair. Cooper is
16 from the Sacramento area community of Elk Grove, where he
17 has served on the city council. He is also a retired
18 Captain with the Sacramento County Sheriff's Department.

19 Also, the Assembly Republicans have named Chad
20 Mayes from Yucca Valley as their next leader, with that
21 transition planned for January. He replaced Kristin Olsen
22 who is also termed out at the end of the year.

23 And last, but not least, the Assembly Democrats
24 have named Anthony Rendon from the L.A. County community
25 of Lakewood as their next leader, and the presumptive

1 Assembly Speaker. The vote to install Rendon as the
2 Speaker Elect is planned for January. And a timeline for
3 the transition from current Speaker Atkins to Speaker
4 Rendon is expected to be worked out over the next couple
5 of months.

6 And that ends my presentation. I'm available to
7 answer any questions.

8 PRESIDENT FECKNER: Thank you.

9 Mr. Jelincic.

10 BOARD MEMBER JELINCIC: There were a few bills
11 that were listed that are related to the 15/16 budget.
12 And I'm making the assumption that if they're not signed,
13 at this point, and chaptered, they're dead, even if it
14 says it's still in a committee. Is that a fair
15 assumption?

16 LEGISLATIVE AFFAIRS ASSISTANT DIVISION CHIEF
17 BLACKLEDGE: Well, they could be used in the future.
18 However, most of those bills were stalled. There is one
19 bill that was added and it is on the Governor's desk and
20 that would be Senate Bill 102. And that actually delays
21 by a year reporting requirement for CalPERS to provide
22 health data to the Department of Finance. All of the
23 others were used for other purposes or they've been held
24 for later use next year.

25 BOARD MEMBER JELINCIC: For gut and amends.

1 LEGISLATIVE AFFAIRS ASSISTANT DIVISION CHIEF

2 BLACKLEDGE: Yeah.

3 BOARD MEMBER JELINCIC: Okay. Thank you.

4 PRESIDENT FECKNER: All right. Thank you.

5 Seeing no other requests. Thank you.

6 That brings us to Item 11, Public Comment. I
7 have one request from the public to speak. Mr. Larry
8 Woodson, are you here?

9 Please come down to the corner microphone, and
10 you have up to 3 minutes. Please identify yourself for
11 the record.

12 Just a second, we've got to get the microphone on
13 for you.

14 MR. WOODSON: Good monning.

15 PRESIDENT FECKNER: No. Just a second.

16 There you go.

17 MR. WOODSON: Am I okay?

18 Yeah. Good morning. My name is Larry Woodson.
19 I'm a retired State employee with Medicare and 3
20 dependents. We have a Blue Shield plan. And on August
21 17th I received a letter from CalPERS, along with over
22 40,000 other retirees, notifying us that our health plan
23 was being canceled and we would need to choose a new plan.

24 Since I am on Medicare and my depends are on a
25 basic plan, we are referred to as a combination family.

1 The letter did not recognize our status as a combination
2 family, and provided no guidance for our unique needs. We
3 were offered two options. The first option was quote, "If
4 you would like to be enrolled into UnitedHealthcare, no
5 action is needed on your part. CalPERS and UHC will work
6 together to enroll you into UHC's Medicare health plan
7 effective January 1 with no lapse in coverage".

8 Of the 15,000 combo members, it is likely a
9 significant number will assume a seamless transition, take
10 no action, and find on January 1 that they have lost their
11 physicians and hospitals, since the UHC HMO does not have
12 many of the medical providers available that are on the
13 plans being discontinued. There is no caution in the
14 letter that providers may be lost.

15 Friends of mine who received the same letter also
16 found it and website information confusing and incomplete.
17 UHC has agreed to make website changes by today. However,
18 some already have made choices before corrections are
19 made.

20 My friends and I are all choosing PERSCare a more
21 expensive plan to CalPERS and to our families as well.
22 But this is the only way that we are able to keep our UC
23 Davis medical doctors for our dependents. UHC does
24 provide an HMO plan called Signature Value, which does
25 include UC Davis's providers, but that plan, for some

1 reason, is not available to us.

2 I sent Mr. McKeever an email yesterday making 3
3 recommendations and received a prompt email response from
4 him agreeing to 2 of the 3. CalPERS will send a letter of
5 clarification to members with combo families and will
6 update the CalPERS home page with clarifications. He
7 agreed to consider an extension of open enrollment for
8 combo members who may have made plan choices based on
9 confusing information. I hope the consideration results
10 in accommodation for them.

11 In conclusion, I would request the Board review
12 its June decision to cancel Blue Shield and the other 3
13 HMOs due to the hardships the action creates for retirees,
14 and instead add UHC as another plan option letting the
15 marketplace of retirees decide if the cheaper plans with
16 more restrictive medical provider lists meet their
17 family's needs.

18 Thank you.

19 PRESIDENT FECKNER: We thank you for your
20 comments. We thank you for your interaction with our
21 staff, and we certainly wish you to continue your
22 communication, because it helps to continue doing what we
23 do well. So thank you for your communication

24 MR. WOODSON: Thank you.

25 PRESIDENT FECKNER: Seeing no other requests to

1 speak, we will now be moving into closed session, after
2 which we will be coming out of closed session for a brief
3 report, and then we will be going into the Board
4 Governance workshop in Room 1140 following that.

5 So this adjourns the open session of the meeting.
6 So we are recessing and going to closed session in 5
7 minutes. Thank you all for being here.

8 (Thereupon the meeting recessed into closed
9 session at 9:37 a.m.)

10 (The meeting reconvened open session at 10:40 AM)

11 PRESIDENT FECKNER: The Board has moved back into
12 open session to report out the personnel actions it took,
13 including the recommendations of the Performance,
14 Compensation and Talent Mangement Committee.

15 By a vote of 11 to 0, with 0 abstentions, the
16 Board approved the 2014-15 annual qualitative performance
17 ratings and award for the Chief Executive Officer.

18 Number 2, by a vote of 11 to 0 with 0
19 abstentions, the Board approved the 2014-15 base increase
20 for the Chief Executive Officer.

21 This concludes the action taken in closed
22 session. This meeting is adjourned.

23 (Thereupon the California Public Employees'
24 Retirement System, Board of Administration
25 open session meeting adjourned at 10:41 AM)

C E R T I F I C A T E O F R E P O R T E R

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California.

That the said proceedings was taken before me, in shorthand writing, and was thereafter transcribed, under my direction, by computer-assisted transcription.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 22nd day of September, 2015.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
License No. 10063