CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION MINUTES OF MEETING

Wednesday, September 16, 2015

The Board of Administration met on Thursday, September 16, 2015 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 1:30 p.m. and the following members were present:

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

Board of Administration Members excused: None

On **MOTION** by JJ Jelincic, and **SECONDED** by Henry Jones, and **CARRIED**, the Board approved to meet in closed session pursuant to Government Code Section 11126, Subdivision (c) (18) (A).

Meeting was recessed to closed session at 1:32 p.m.

Kristi Griffiths, Chief Investigator presented to the Board.

Meeting reconvened to open session at 2:16 p.m.

Meeting was adjourned at 2:17 p.m.		
	ANNE STAUSBOLL Chief Executive Officer	

Government Code Section 11126, Subdivision (c) (18) (A) and received a presentation on the work of the CalPERS Investigations Unit. The Board took no action.

President Feckner reported that the Board met in closed session pursuant to

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION MINUTES OF MEETING

Thursday, September 17, 2015

The Board of Administration met on Thursday, September 17, 2015 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:01 a.m. and the following members were present:

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

Board of Administration Members excused: None

AGENDA ITEM 3 – PRESIDENT'S REPORT

President Feckner dedicated his report to all the public employees who have helped to fight the fires in Lake, Butte and Calaveras counties. He also acknowledged and thanked the firefighters and the emergency personnel for putting themselves in harm's way to save the lives and property of others.

AGENDA ITEM 4 – EXECUTIVE REPORTS

a. Chief Executive Officer Report

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

• The CalPERS Annual Report,

- Chief Financial Officer's Forum,
- Emerging and Diverse Manager Day,
- Diversity Forum,
- The final California Benefits Education event in Sacramento,
- 16th Annual Employer Education Forum,
- Funding Risk Mitigation Policy,
- End-of-year Financial Reports,
- Open enrollment for health,
- The Annual State Worker Charitable Gift Giving Campaign,
- And the construction of the new landscape in several areas around campus.

Ms. Stausboll introduced CalPERS new Chief Auditor Beliz Chappuie.

Ms. Stausboll recognized Dallas Stone, Kathy Donneson, Sabrina Hutchins, Lisa Kunz, Stacie Walker and Liana Bailey-Crimmins for their presentations on innovation at the All-Staff Forum in August.

b. Chief Investment Officer Report

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

As of July 31, 2015 the total fund performance for the fiscal year-to-date, is 0.3 percent. Importantly, much longer time periods are more meaningful to measure the performance. The 3-year return of the total fund is 10.6 percent and the 5-year return is at 9.9 percent. The 10-year return is at 6.0 percent and the 20-year return of the total fund is 7.7 percent. All asset class allocations are within policy ranges. The total fund assets are valued at \$301.6 billion.

AGENDA ITEM 5 – CONSENT ITEMS

Action Consent Items:

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

On **MOTION** by JJ Jelincic, **SECONDED** by Teresa 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 October 21, 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 Tuesday, September 15, 2015.

Additional information may be found in the September 15, 2015 Agenda materials and transcripts of the Committee meeting.

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

b. Pension and Health Benefits Committee

The Committee did not meet in September.

The next meeting of the Pension and Health Benefits Committee is scheduled for October 20, 2015 in Sacramento, California.

c. Finance and Administration Committee

The Committee did not meet in September.

The next meeting of the Finance and Administration Committee is scheduled for October 20, 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 Wednesday, September 16, 2015.

On **MOTION** by Committee and **CARRIED**, with one abstention by JJ Jelincic, the Board approved a revised annual salary range of \$108,000 - \$162,000, and an incentive range of 0-40% for the Associate Investment Manager classification. (PCTM Item 5)

On **MOTION** by Committee and **CARRIED**, with one abstention by JJ Jelincic, the Board approved the proposed peer/comparator group for the Executive Management Positions to include leading US public funds, leading Canadian public funds, select California based agencies (including large local agencies), banks and insurance companies. (PCTM Item 5)

On **MOTION** by Committee and **CARRIED**, with one abstention by JJ Jelincic, the Board approved an increase to the maximum of the base salary ranges by 5% for the following classifications: Chief Executive Officer, General Counsel, Chief Operating Investment Officer, Managing Investment Director, Investment Director, and Investment Manager. (PCTM Item 5)

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

The next meeting of the Performance, Compensation and Talent Management Committee is scheduled for October 20, 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 Wednesday, September 16, 2015.

The Vice Chair, JJ Jelincic removed Agenda Item 4e, the 2014-15 Annual Compliance Report from the Information Consent Items for discussion.

On **MOTION** by Committee and **CARRIED**, the Board approved the top three Actuarial Parallel Valuation and Certification Services candidates for finalist interviews at the November Risk and Audit Committee. (RAC Item 5a)

On **MOTION** by Committee and **CARRIED**, the Board approved the engagement of the Department of Finance (DOF) to review the Office of Internal Audits Services Quality Assurance and Improvement Program (QAIP). (RAC Item 5b)

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

f. Board Governance Committee

The Committee met at the conclusion of the Board of Administration meeting. There is no report this month.

The next meeting of the Board Governance Committee is scheduled for October 20, 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 8c, 8e through 8g, and 8i through 8k in their entirety as the Board's own decisions.

On **MOTION** by Henry Jones, **SECONDED** by Priya Mathur, to approve the Independent Board Counsel's recommendations and adopt Agenda Item 8d with the following minor clarifying changes: One, strike the language in the proposed decision which incorrectly states that the bonus program was available to all medical consultants; and, two, strike the unnecessary sentence in factual finding 49 on page 22 which reads as follows: "In Dr. Paxton's case, he has not retired and he has no vested rights to any given amount of pension benefit".

Mr. Jelincic **MOVED** to amend the motion to refer the matter back to the Administrative Law Judge to look at the specific question of whether it's PERSable under Government Code section 20636, the impact of having these contracts approved as statute, whether the bonus was available to an appropriate class, and the accuracy or necessity of the second-to-last sentence in paragraph 42 of the factual findings. The motion-to-amend died for lack of a second.

The original motion **CARRIED**, with one abstention from Richard Gillihan.

On **MOTION** by Henry Jones, **SECONDED** by Priya Mathur, and **CARRIED**, the Board approved the Independent Board Counsel's recommendations and set Agenda Item 8h for a full Board Hearing in accordance with the established procedures for full hearings before the Board on the following specific issues: One, whether the process by which CalPERS staff arrived at the pay rate was arbitrary; two, whether any of the pay at issue constitutes prohibited overtime for purposes of PERL; and, three, whether the CalPERS staff is time barred from recouping old payments made to members.

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AGENDA ITEM 9 – FINAL PROPOSED REGULATION FOR PAYMENT OF INTEREST

On **MOTION** by Priya Mathur, **SECONDED** by Henry Jones and **CARRIED**, the Board approved to submit to the Office of Administrative Law the proposed regulation establishing rules by which interest payments would be made when a benefit payment has been determined to be beyond a reasonable administrative processing time.

AGENDA ITEM 10 – STATE LEGISLATION

Scot Blackledge, Legislative Affairs Assistant Division Chief, provided an update on State Legislation.

AGENDA ITEM 11 – PUBLIC COMMENT

Larry Woodson, retired State employee, spoke about the cancellation of the Blue Shield healthcare plan.

Meeting was recessed to closed session at 9:37 a.m.

The Board reconvened into open session to report out the personnel actions it took, including the recommendations of the Performance, Compensation and Talent Management Committee.

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

Number two, by a vote of 11 to 0 with 0 abstentions, the Board approved the 2015-16 base increase for the Chief Executive Officer.

Meeting was adjourned at 10:41 a.m.

ANNE STAUSBOLL
Chief Executive Officer



Agenda Item 5b

September 17, 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
Henry Jones	11/22/15-11/25/15	Scottsdale, AZ	Plan Sponsor and Emerging Manager Conference

Rob Feckner, President Board of Administration

Meeting Summary

September 17, 2015

The Investment Committee met on September 15, 2015.

The Committee discussed and approved:

 Staff's request to initiate the Request for Proposal process for the Real Estate Board Investment Consultant

The Committee received presentations on the following:

- The annual review of the Global Equity Program by staff and Wilshire Associates
- Results from the July Board and Executive offsite session on CalPERS' Investment Beliefs and staff's proposed path forward
- A report by Wilshire Associates on the comparative performance and risk of the Total Fund against a peer universe of public funds
- An update on the progress on the investment-related Strategic Measures
- A review of proposed revisions to the Global Equity Program Policy
- An update on the Enhanced Focus List program

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

- In October, staff will present a report on coal investments in the CalPERS Investment Portfolio
- The Annual Program Review for the Global Fixed Income Programs

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