

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

WEDNESDAY, OCTOBER 21, 2015

9:00 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, represented by Ms. Katie Hagen

Ms. Dana Hollinger

Mr. J.J. Jelincic

Mr. Ron Lind

Ms. Priya Mathur

Mr. Bill Slaton

Ms. Theresa Taylor

Ms. Betty Yee, represented by Ms. Lynn Paquin

STAFF:

Ms. Anne Stausboll, Chief Executive Officer

Ms. Cheryl Eason, Chief Financial Officer

Mr. Ted Eliopoulos, Chief Investment Officer

Mr. Douglas Hoffner, Deputy Executive Officer

Mr. Doug McKeever, Deputy Executive Officer

Ms. Donna Lum, Deputy Executive Officer

Mr. Brad Pacheco, Deputy Executive 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. Harvey Robinson, Retired Public Employees Association

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

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

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

5 First order of business will be to please call  
6 the roll.

7 BOARD SECRETARY BUCHANAN: Thank you,  
8 Mr. President. Good morning.

9 PRESIDENT FECKNER: Morning.

10 BOARD SECRETARY BUCHANAN: Rob Feckner?

11 PRESIDENT FECKNER: Good morning.

12 BOARD SECRETARY BUCHANAN: Henry Jones?

13 VICE PRESIDENT JONES: Here.

14 BOARD SECRETARY BUCHANAN: Michael Bilbrey?

15 BOARD MEMBER BILBREY: Good morning.

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

18 ACTING BOARD MEMBER ELLIOTT: Here.

19 BOARD SECRETARY BUCHANAN: Richard Costigan?

20 BOARD MEMBER COSTIGAN: Good morning.

21 BOARD SECRETARY BUCHANAN: Richard Gillihan?

22 BOARD MEMBER GILLIHAN: Here.

23 BOARD SECRETARY BUCHANAN: Dana Hollinger?

24 BOARD MEMBER HOLLINGER: Here.

25 BOARD SECRETARY BUCHANAN: J.J. Jelincic?

1 BOARD MEMBER JELINCIC: Here.

2 BOARD SECRETARY BUCHANAN: Ron Lind?

3 BOARD MEMBER LIND: Here.

4 BOARD SECRETARY BUCHANAN: Priya Mathur?

5 BOARD MEMBER MATHUR: Good morning.

6 BOARD SECRETARY BUCHANAN: Bill Slaton?

7 BOARD MEMBER SLATON: Here.

8 BOARD SECRETARY BUCHANAN: Theresa Taylor?

9 BOARD MEMBER TAYLOR: Here.

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

12 ACTING BOARD MEMBER PAQUIN: Here.

13 BOARD SECRETARY BUCHANAN: Thank you.

14 PRESIDENT FECKNER: Thank you. Kind of feels  
15 like church or college. Everybody's in the back of the  
16 room.

17 (Laughter.)

18 PRESIDENT FECKNER: Kind of odd today.

19 So good morning, everyone. Again --

20 BOARD MEMBER JELINCIC: The retirees aren't here,  
21 that's why?

22 PRESIDENT FECKNER: The retirees aren't --  
23 haven't come down yet. There we go.

24 Next order of business is the Pledge of  
25 Allegiance. I've asked Mr. Costigan to please lead us in

1 the Pledge. If we'd all please rise.

2 (Thereupon the Pledge of Allegiance was  
3 Recited in unison.)

4 PRESIDENT FECKNER: Thank you.

5 Brings us to Item 3, the Board President's  
6 Report.

7 So again good morning, everyone. Thank you for  
8 being here.

9 So it's hard to miss that the color of pink has  
10 taken over our communities and work places during this  
11 time of year. It's in recognition of Breast Cancer  
12 Awareness Month and the goal to end breast cancer.

13 CalPERS has been a faithful supporter and advocate of  
14 this cause for many years now. And as a breast cancer  
15 survivor myself, I applaud our organization's  
16 participation and I always look forward to the events that  
17 we plan during the year.

18 While most people are aware of breast cancer,  
19 many forget that you need to take steps to detect the  
20 disease; and I encourage others to do the same. Together  
21 we've made a lot of progress to advance treatments to help  
22 fight this disease. But as a reminder at this time of  
23 year, we still have a long ways to go.

24 So next weak we have upcoming this time of year  
25 again to gather with our employers for our annual

1 educational forum. I know our CEO's going to have more to  
2 say about the forum in a little bit, but I just want to  
3 offer my thanks to all the staff for all their advance  
4 preparation in getting ready for this event and to the  
5 employers who are taking away from their schedule and  
6 their time to join us for a very informative three days.  
7 We look forward to a very robust and informative time  
8 together.

9 I'd like to offer a few comments about an  
10 activity that brings a great deal of personal joy and  
11 satisfaction to me. Each month, our CEO and I are invited  
12 to speak at our monthly new employee orientation  
13 functions. This is our opportunity to welcome staff to  
14 our organization and to talk about the role that the Board  
15 plays and the priorities that we have here working at  
16 CalPERS. The feedback that we get from staff is always  
17 positive. They sincerely appreciate that the leaders of  
18 our organization take the time to come and speak with them  
19 face-to-face.

20 We often hear about the importance of recruiting  
21 and retaining staff, and how can we continue to be a  
22 destination employer of choice. Well, based on my  
23 positive experiences with these events with these  
24 employees, I'm convinced that this small gesture goes a  
25 very long ways.

1           Now turning to another topic. As a nation we  
2 will observe the Veterans Day holiday next month on  
3 November 11th. Between now and then I encourage you all  
4 to take a moment to pay tribute to our veterans of  
5 yesterday who risked, and many who lost, their lives  
6 protecting our nation and securing our freedom. Let us  
7 honor the current men and women in uniform who so bravely  
8 serve our country today.

9           Here at CalPERS we have a tradition of honoring  
10 our employees who have served in the U.S. armed forces.  
11 This is one reason why November is always a special time  
12 of reflection and gratitude. In advance of Veterans Day  
13 and on behalf of the Board, I want to extend our sincere  
14 appreciation to all of our veterans and active reservists  
15 for your dedication, sacrifice, and courage. We are  
16 grateful for your selfless service to our country.

17           And I will say as an addendum, there is some  
18 event going on by the convention center so there are a lot  
19 of folks in uniform staying at the Sheraton Hotel where I  
20 stay. And the last two days I've gotten in an elevator  
21 and there have been folks in uniform there, and invariably  
22 somebody in the elevator has thanked them for their  
23 service. That didn't used to happen years ago. So it's  
24 very pleasant to see that kind of response from our  
25 community.

1           So, again, thank you.

2           And we're moving on to Item 4, Executive Reports;  
3           4a, the Chief Executive Officer's Report.

4           Ms. Stausboll.

5           CHIEF EXECUTIVE OFFICER STAUSBOLL: Thank you.

6           Good morning, Mr. President and members of the Board.

7           I'd like to start this morning by making two  
8           introductions. Up first I'd like to introduce to you our  
9           new Chief of Legislative Affairs, Mary Anne Ashley. Mary  
10          Anne comes to us from CalSTRS where she most recently  
11          served as their Director of Government Relations; and she  
12          brings with her a wealth of legislative knowledge and  
13          insight into pension issues and the other public policy  
14          and government issues we face every day. So I know she'll  
15          be a strong advocate on behalf of CalPERS and our members.

16          And I'd like you to just stand up so everyone can  
17          say hello. Please join me in welcoming Mary Anne.

18          (Applause.)

19          CHIEF EXECUTIVE OFFICER STAUSBOLL: The second  
20          isn't really an introduction because we all already know  
21          this person. But I'd like to announce the appointment of  
22          our new Deputy Executive Officer of Communications and  
23          Stakeholder Relations, Brad Pacheco.

24          (Applause.)

25          CHIEF EXECUTIVE OFFICER STAUSBOLL:

1           Congratulations Brad. Brad's been with CalPERS  
2 for about 20 years and is a well seasoned communications  
3 professional. And for the last six years he served as  
4 chief of our Public Affairs Office and has done a great  
5 job.

6           I wanted to just notice especially for the  
7 audience that the title of the office has changed from  
8 External Affairs to Communications and Stakeholder  
9 Relations. And we feel this better reflects the work that  
10 the office does because a large part of what this team  
11 does is inward facing internal communications.

12           So I welcome Brad to the team and we all look  
13 forward his leadership.

14           Turning now to some of our current priorities  
15 over the next couple of months. As the President  
16 noticed -- noted, we're less than a week away from the  
17 start of the Employer Educational Forum in San Jose.  
18 We've got over 600 employer representatives signed up  
19 already; so it looks like this will be one of our most  
20 highly attended forums, which is really good news. It  
21 runs next Monday through Wednesday.

22           This year we've added some new sessions to the  
23 agenda. We're going to feature our health program  
24 leaders. We'll be having some sessions that focus on the  
25 coming excise tax. We've also got a new session with our

1 CFO and we'll be focusing on our funding risk management  
2 work. So those are some of the new features.

3 And we're having a keynote speaker on Tuesday.  
4 His name is Kevin Carroll. He's an inspirational speaker.  
5 He's going to speak on the power of using creativity to  
6 maximize business growth as well as personal growth. So  
7 looks like he'll be a great speaker.

8 In anticipation of the conference, as always our  
9 actuarial staff is finalizing the valuation reports for  
10 those employers that are attending the conference so we  
11 can provide those very popular one-on-one consultations  
12 that we do each year at the conference.

13 And we've been a little delayed on completing all  
14 the employer valuation reports due to the demands this  
15 year of developing the GASB 68 reports, which we had to do  
16 for the first time this year. But we do expect all the  
17 valuation reports to be completed and delivered in  
18 November.

19 We're also currently in the stage of completing  
20 our CAFR, the Comprehensive Annual Financial Report, for  
21 the last fiscal year. That work is led by Cheryl, our  
22 CFO. The report's currently undergoing a comprehensive  
23 set of reviews and next month the independent auditor's  
24 report and the basic financials will be presented to the  
25 Board and then we'll be finalizing the CAFR by

1 mid-December.

2           We've also been continuing with our new employer  
3 outreach initiative, the executive employer visits. We  
4 had two visits to the Bay Area since we last met.

5           So earlier this month, members of the executive  
6 team and I went to the East Bay. We met with BART at its  
7 Oakland headquarters in the morning and then with several  
8 agencies in the afternoon, cities of Richmond and Oakland,  
9 Alameda County Fire, and East Valley Park District.

10           And then the following week the team went to San  
11 Jose and met with Santa Clara County and then with Palo  
12 Alto, Mountain View, Santa Clara County Office of  
13 Education, and the Santa Clara Valley Water District.

14           So these face-to-face meetings have been very well  
15 received at both sides of the table. They've given us a  
16 great opportunity to hear directly from our employers  
17 about what's on their mind. So we're excited about  
18 continuing this. Next we'll be going down to Southern  
19 California. We're planning trips to L.A., Orange County,  
20 and Riverside.

21           Internally we just launched the annual State  
22 Employee Charitable Campaign. And as we do every year, we  
23 kicked things off a couple weeks ago with our annual  
24 silent auction of cakes and gift baskets, all of which is  
25 donated by our generous staff. So together we raised

1 almost \$3,000 for a number of local and community  
2 charities. And in a couple of weeks we'll be holding the  
3 very popular annual chili cook-off. And this year we'll  
4 also be featuring a soup cook-off as part of that.

5 So we always welcome the Board members to that,  
6 and I hope some of you will be able to attend.

7 Moving on to awards and recognition. I'm very  
8 happy to announce that our Lincoln Plaza south building,  
9 the building at 400 R Street, was just given a gold LEED  
10 award. That's Leadership in Energy and Environmental  
11 Design. And that's an award for an existing building  
12 given by the Green Building Certification Institute. And  
13 it's really -- a really great achievement for a building  
14 that was constructed back in 1989. We made several  
15 improvements to the building to qualify for the award. We  
16 installed energy efficient HVAC units, updated the  
17 restrooms, put in water meters and drip systems, and moved  
18 to the drought tolerant landscaping. So I'm proud that  
19 all four of our buildings on campus are now LEED  
20 certified.

21 Last but not least I'd like to take a moment to  
22 recognize our staff from the Office of Audit Services.  
23 They're the ones that the President mentioned. They're  
24 sitting towards the back of the room.

25 CalPERS management and the Board rely heavily on

1 our Office of Audit Services to make sure we're getting  
2 accurate and reliable information to support various  
3 initiatives and make sure that we're complying with laws,  
4 regulations and policies. Each year, as you know, they  
5 perform dozens of audits, both internal and external.

6 And this last year they had an additional  
7 project. They worked diligently to assist our outside  
8 independent auditor with the GASB 67 testing. And to do  
9 that they had to visit over 55 employers in the first  
10 quarter of the year.

11 So the audit staff work often goes kind of under  
12 the radar, unnoticed, which is a good thing. But it's  
13 vital to ensuring that we're meeting the laws and  
14 regulations that we're bound to comply with. So I want to  
15 recognize them and please ask them to stand.

16 (Applause.)

17 CHIEF EXECUTIVE OFFICER STAUSBOLL: Thank you  
18 very much.

19 And thank you, Mr. President. That concludes my  
20 remarks. I'm happy to take any questions.

21 PRESIDENT FECKNER: Thank you.

22 Seeing no requests, moving on to item 4b, Chief  
23 Investment Officer's Report.

24 Mr. Eliopoulos please.

25 CHIEF INVESTMENT OFFICER ELIOPOULOS: Good

1 morning, President Feckner, members of the Board. I have  
2 a brief update on the performance of the Public Employees  
3 Retirement Fund. As of August 31st, 2015, the total fund  
4 performance for the fiscal year to date, which during this  
5 time period only covers two months, is a negative 3  
6 percent. As you know, we like to look at much longer time  
7 periods, as they are much more meaningful for measuring  
8 our performance.

9 For the following longer term performance  
10 measurements these return numbers are all positive. The  
11 3-year return is 8.9 percent; the 5-year return is 9.4  
12 percent; the 10-year return is 5.6 percent; and the  
13 20-year return of the total fund is 7.5 percent. All  
14 asset class allocations are within their policy ranges,  
15 and the total fund assets are valued as of August 31st,  
16 2015, at 292.1 billion dollars.

17 Mr. President, that concludes my report.

18 PRESIDENT FECKNER: Very good. Thank you.

19 Seeing no requests.

20 Move on to Item 5. Number 5a&b is consent items.

21 Seeing no requests to speak. What's the pleasure  
22 of the Board?

23 BOARD MEMBER MATHUR: Move approval.

24 BOARD MEMBER BILBREY: Second.

25 PRESIDENT FECKNER: Moved by Mathur, seconded by

1 Bilbrey.

2 Any discussion on the motion?

3 Seeing none, all in favor say aye.

4 (Ayes.)

5 PRESIDENT FECKNER: All opposed say no.

6 Motion carries.

7 Item 6, consent items. Having nothing been  
8 requested to being removed, we'll move on to item 7,  
9 Committee Reports and Actions.

10 On 7a, the Investment Committee. For that I call  
11 on the Chair, Mr. Jones.

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

13 The Investment Committee met on October 19, 2015.  
14 The Committee received presentations on the following:

15 A review of the impact of CalPERS's divestment by  
16 Wilshire Associates.

17 An analysis of current investments in coal  
18 producers and the potential impact of implementing  
19 California's Senate Bill 185. After the presentation the  
20 Chair directed staff to 1) cease adding to existing  
21 thermal coal holdings as defined in the legislation;  
22 2) write to the 85 companies that don't fall within the  
23 legislation scope to inform them of this legislation; and  
24 3) propose at the January offsite the engagement approach  
25 for the companies covered by this legislation.

1           We also received an update on the enterprise risk  
2 items overseen by the Investment Committee. And the Chair  
3 then directed staff to provide additional written  
4 narratives with the enterprise risk report provided every  
5 six months;

6           The annual review of the fixed income programs by  
7 staff and Wilshire Associates and the proposed revisions  
8 to the fixed income program policy;

9           A second review of the revisions to the Global  
10 Equity policy. The Chair then directed staff to review  
11 the language in the policy introduction and bring back to  
12 the Committee next month.

13           The Committee received public comments on  
14 CalPERS's coal divestment and a labor dispute.

15           Highlights for the next -- what to expect at the  
16 upcoming Investment Committee meeting: A workshop on  
17 private equity and the annual review of the Private Equity  
18 Program in November.

19           The next meeting of the Investment Committee is  
20 scheduled for November 16, 2015, in Sacramento,  
21 California.

22           That completes my report, Mr. President.

23           PRESIDENT FECKNER: Thank you.

24           Item 7b, Pension and Health Committee.

25           That I call on the Chair, Ms. Mathur.

1           BOARD MEMBER MATHUR: Thank you, Mr. President.  
2 The Pension and Health Benefits Committee met yesterday,  
3 on October 20th, 2015.

4           The Committee recommends, and I move, the Board  
5 approve staff's recommendation on Agenda Item 5, to  
6 consolidate the number of retirement payment options from  
7 13 to 7, which includes options 2 and 3. Once legislation  
8 is drafted and considered, a final decision will be made  
9 on whether to include options 2 and 3 as requested by the  
10 committee.

11           PRESIDENT FECKNER: On motion by committee.

12           Any discussion on the motion?

13           Seeing none.

14           Harvey Robinson, you had a request to speak on  
15 public comment. Do you want to wait for you that or do  
16 you want to do it on this agenda item.

17           MR. ROBINSON: That's fine.

18           PRESIDENT FECKNER: Please come forward.

19           Take the microphone over there. And he'll have  
20 up to three minutes.

21           The microphone is on for you.

22           MR. ROBINSON: President Feckner, members of the  
23 Board. My comments have to do with Agenda Item 5, and  
24 it's based upon my some 22 years in the pension and --  
25 excuse me -- in the benefits services area. And in

1 looking at the information presented, it was somewhat  
2 incomplete. And some areas that were not mentioned had to  
3 do, for example, with the unmodified allowance. And the  
4 Board should be aware that after the issuance of the first  
5 warrant there are no further benefits payable. So having  
6 worked in that particular area, I'm aware of people who  
7 didn't make that choice and shortly after receiving their  
8 first check they passed away.

9           However, what was also not mentioned, many of our  
10 members -- most of our members have what is known as a  
11 survivor continuance benefit, either a one-quarter to  
12 one-half continuance. That's employer paid, but there's a  
13 reduction particularly when you come to the option 2 and  
14 3. So just to be aware of that.

15           So the concern has to do with whether in fact the  
16 unmodified allowance should be offered, because you're  
17 putting a number of people in jeopardy, their families.

18           A second comment I'd like to make has to do with  
19 the option 1 allowance. It's composed of two parts, a  
20 pension and annuity; the pension derived from employer  
21 contributions, the annuity, from member contributions.

22           So when you retire you have what is known as  
23 accumulated contributions. So for each month you receive  
24 an allowance, that accumulated contribution is reduced by  
25 the annuity portion of the allowance.

1           It might be helpful for the Board to know, for  
2 example, at death what the average pension or option 1  
3 balance is. So it's just good information to know.

4           So I thought I'd just share that information with  
5 you.

6           Thank you.

7           PRESIDENT FECKNER: We appreciate it. Thank you  
8 very much for sharing that.

9           Motion is still before you.

10          Seeing no requests to speak.

11          All in favor of the motion say aye.

12          (Ayes.)

13          PRESIDENT FECKNER: Opposed, no.

14          Motion carries.

15          Ms. Mathur.

16          BOARD MEMBER MATHUR: The Committee also received  
17 several information reports on the following topics:  
18 Including individual committee-specific risk dashboard,  
19 the closeout of the dependent eligibility verification  
20 project, and the current pharmacy benefit manager  
21 solicitation.

22          The Committee received an update on the long-term  
23 care program and proposed expanded eligibility for the  
24 program. The Chair affirmed the use of the Board's  
25 authority under Government Code Section 21661(f) and

1 directed staff to expand eligibility to all classes  
2 eligible under 26 Internal Revenue Code Section  
3 7702(b)(f)2.

4 The Chair directed staff to include additional  
5 language in the future enterprise risk guidance as they  
6 relate to CalPERS strategic agenda, and to bring back  
7 marketing cost information on the Long-Term Care Program.

8 The Committee received public comment from Larry  
9 Woodson regarding UnitedHealthcare, from Chris Little  
10 regarding regional pricing and flexible health plans, and  
11 from George Linn regarding generic drug costs.

12 Some additional highlights which you can expect  
13 at the November Pension and Health Benefits Committee  
14 meeting include a review of strategies for wellness  
15 program options and also information on the federal health  
16 care policy and federal retirement policy, on customer  
17 service and support performance, and staff's work related  
18 to charter schools.

19 The next meeting of the Pension and Health  
20 Benefits Committee is scheduled for November 17th, 2015,  
21 in Sacramento, California.

22 That concludes my report, Mr. President.

23 PRESIDENT FECKNER: Thank you.

24 Brings us to Agenda Item C, Finance and  
25 Administration Committee.

1 For that I call on the Chair, Mr. Costigan.

2 BOARD MEMBER COSTIGAN: Thank you, Mr. Feckner.  
3 The Finance and Administration Committee met on October  
4 20th, 2015.

5 The Committee recommends, and I move, the Board  
6 approve the following: Agenda Item 5a, Treasury  
7 Management Reserve Policy (second reading), recommend that  
8 the Board adopt the Treasury Management Reserve Policy  
9 which reflects changes to the policy from the first and  
10 second readings of the Finance and Administration  
11 Committee.

12 PRESIDENT FECKNER: On motion by committee.

13 Any discussion on the motion?

14 Seeing none.

15 All in favor say aye.

16 (Ayes.)

17 PRESIDENT FECKNER: Opposed, no.

18 Motion carries.

19 BOARD MEMBER COSTIGAN: The Committee received  
20 reports on several topics including the CalPERS 2014/16  
21 business plan year-end report, the annual diversity  
22 report, annual customer service and cost effective  
23 measure - or known as the CEM update - enterprise risk  
24 report in finance and administration, the multiple asset  
25 allocation concept update, and the funding risk mitigation

1 policy (first reading).

2           The Committee heard public comment from Michael  
3 Ring from SEIU, Christy Figueroa from the Council of  
4 Classified Employees, and Eric Stern from the Department  
5 of Finance.

6           At this time I would like to share some  
7 highlights of what to expect at the November Finance and  
8 Administration Committee meeting. Will be the draft  
9 2014/15 basic financial statements, the first reading of  
10 the 2015/16 mid-year budget revision, the second reading  
11 of the funding risk mitigation policy, and long-term care  
12 valuation report.

13           The next meeting of the Finance and  
14 Administration Committee is scheduled for November 17,  
15 2015, in Sacramento, California.

16           Thank you, Mr. President.

17           PRESIDENT FECKNER: Thank you.

18           Agenda Item 7d, Performance, Compensation &  
19 Talent Management Committee.

20           For that I call on the Chair, Mr. Bilbrey.

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

22           The Performance, Compensation & Talent Management  
23 Committee met on October 20th, 2015.

24           The Committee recommends, and I move, the Board  
25 approve the following: Agenda Item 5, the 2014/15

1 performance awards and the base pay increases of the Chief  
2 Executive Officer and the Chief Investment Officer.

3 For the CEO approve a fiscal year 2014/15  
4 performance award of 125,550 and a fiscal year 2015/16  
5 base salary of 322,400.

6 Do you want to take them both together?

7 PRESIDENT FECKNER: Yes.

8 BOARD MEMBER BILBREY: For the CIO approve a  
9 fiscal year 2014/15 performance award of 315,980 and a  
10 fiscal year 2015/16 base salary of 503,500.

11 PRESIDENT FECKNER: On motion by committee.

12 Any discussion on the motion?

13 Mr. Jelincic.

14 BOARD MEMBER JELINCIC: I will be abstaining.

15 PRESIDENT FECKNER: Thank you.

16 Please show -- make the record reflect

17 Mr. Jelincic abstaining.

18 Seeing no other requests to speak.

19 All in favor of the motion say aye.

20 (Ayes.)

21 PRESIDENT FECKNER: Opposed, no.

22 Motion carries.

23 BOARD MEMBER BILBREY: The Committee received  
24 reports on the following informational items: In closed  
25 session the Committee reviewed the 2014/15 performance of

1 the Chief Actuary, General Counsel, and Chief Financial  
2 Officer; and also received a report on the 2014/15  
3 performance outcomes of investment management positions.

4 In open session staff presented an update on the  
5 selection process for the primary executive compensation,  
6 consultant request for proposal, and a risk report for the  
7 Performance, Compensation & Talent Management Committee.

8 At this time I'd like to share with you a preview  
9 of what to expect at the December Performance,  
10 Compensation & Talent Management Committee meeting. The  
11 Committee will receive an update on human resources  
12 strategic measures.

13 The next meeting of the Performance, Compensation  
14 & Talent Management Committee is schedule for December 15,  
15 2015, in Sacramento.

16 Thank you, Mr. President.

17 PRESIDENT FECKNER: Thank you.

18 Brings us to Agenda Item 7e, Risk and Audit  
19 Committee. No meeting, no report.

20 7f, Board Governance Committee. For that I call  
21 on the Chair, Mr. Slaton.

22 BOARD MEMBER SLATON: Thank you, Mr. President.

23 The Board Governance Committee met on October  
24 20th, 2015. The Committee participated in a workshop on  
25 the following topics: Reviewed the parking lot of

1 deferred topics. And the Committee participated and  
2 facilitated discussion on Board travel policy and the role  
3 of the Board.

4 The next meeting of the Board Governance  
5 Committee is scheduled for November 17th, 2015, in  
6 Sacramento, California.

7 PRESIDENT FECKNER: Thank you.

8 Brings us to Agenda Item 8, the Proposed  
9 Decisions of Administrative Law Judges. First, I want to  
10 say that the Board's independent counsel on fiduciary and  
11 administrative issues, Mr. Chirag Shah is on the phone.

12 Mr. Shah, good morning.

13 MR. SHAH: Good morning, Mr. President, members  
14 of the Board.

15 PRESIDENT FECKNER: Morning, Chirag.

16 So if any Board members have any questions of  
17 Mr. Shah, he's available for that.

18 I'm going to call on Mr. Jones.

19 Just a second. We'll find you.

20 There you go.

21 VICE PRESIDENT JONES: Okay. Thanks.

22 Okay. Thank you, Mr. President. I move to  
23 accept the recommendations of our independent board  
24 counsel and adopt the proposed decisions at Agenda items  
25 8a through 8e, 8g, and 8i through 8m as our own decisions,

1 with the minor modifications to correct typographical  
2 errors to the proposed decisions at Agenda Item 8l and 8m  
3 as argued by staff; and 2) schedule Agenda items 8f and 8h  
4 for full Board hearing in accordance with the Board's  
5 established procedure as argued by staff.

6 PRESIDENT FECKNER: On motion by committee. I  
7 mean, is there a second to the motion?

8 BOARD MEMBER COSTIGAN: Second.

9 PRESIDENT FECKNER: Been moved by Jones, seconded  
10 by Costigan.

11 Any discussion on the motion?

12 Seeing none.

13 All in favor say aye.

14 (Ayes.)

15 PRESIDENT FECKNER: Opposed, no.

16 Motion carries.

17 Brings us to Agenda Item 9, petition for  
18 reconsideration.

19 Mr. Jones.

20 VICE PRESIDENT JONES: Yeah, thank you,  
21 Mr. President.

22 I move to accept the recommendations of our  
23 independent board counsel and deny the petitions for  
24 reconsideration at Agenda Items 9a through c.

25 PRESIDENT FECKNER: Is there a second?

1 BOARD MEMBER COSTIGAN: I'll second.

2 PRESIDENT FECKNER: Been moved by Jones, seconded  
3 by Costigan.

4 Any discussion on the motion?

5 Seeing none.

6 All in favor say aye.

7 (Ayes.)

8 PRESIDENT FECKNER: Opposed say no.

9 Motion carries.

10 Thank you.

11 Brings us to Agenda Item 10, State Legislative  
12 Update.

13 Mr. Blackledge.

14 LEGISLATIVE AFFAIRS ASSISTANT DIVISION CHIEF

15 BLACKLEDGE: Good morning. Scot Blackledge, CalPERS  
16 staff. I'll be providing a brief State Legislative  
17 update.

18 Since my last update, the Governor took action on  
19 hundreds of bills prior to the October 11th deadline,  
20 including several bills that we have been tracking over  
21 the first year of the two-year legislative session. You  
22 have before you that list of bills. But I wanted to note  
23 that Senate Bill 671 by Senator Hill, which allows  
24 biosimilar drugs to be substituted for their name brand  
25 counterparts for the first time in California, and appears

1 in the B list of other bills in Attachment 1, was  
2 mistakenly admitted from the C list of chaptered bills in  
3 that attachment.

4 Of the bills the Board has reviewed or taken  
5 positions on this year, the Governor signed into law the  
6 following measures:

7 The first is Senator De Leon's Senate Bill 185,  
8 the thermal coal divestment bill which was discussed in  
9 Monday's Investment Committee meeting.

10 Another was Senate Bill 546 by Senator Leno,  
11 which improves large group health plan data disclosure to  
12 purchasers and regulators and requires annual public  
13 meetings by the Department of Managed Health Care and  
14 Department of Insurance regarding large group rate  
15 changes. Which CalPERS was ultimately able to support  
16 once it was amended to eliminate the proposed rate  
17 approval process.

18 In addition, the Governor signed Senator De  
19 Leon's wage step recovery bill, SB 588, which among other  
20 things allows the labor commissioner to enforce judgments  
21 to collect unpaid wages and other compensation owed to an  
22 employee for work performed.

23 He also signed the before-mentioned Senate Bill  
24 671 by Senator Hill. As you may recall, we were  
25 ultimately able to withdraw the Board's opposition once

1 the bill was amended to streamline its physician  
2 notification requirements.

3           Of the other bills we were tracking and appear in  
4 your packet, the Governor signed Assembly Bill 339 by  
5 Assembly Member Gordon, which among other things  
6 temporarily limits cost sharing for a 30-day supply of  
7 outpatient prescription drugs to \$250, or to \$500 for  
8 plans and policies within actuarial value of silver in the  
9 health insurance exchange.

10           It also prohibits health plans and insurers from  
11 establishing drug formularies that discourage enrollment  
12 of individuals with specific health conditions or attempt  
13 to reduce the generosity of those benefits for those types  
14 of enrollees.

15           He also signed Assembly Bill 374 by Assembly  
16 Member Nazarian, which streamlines the process for  
17 requesting an exemption to a health plan's or insurer's  
18 step therapy process for prescription drugs.

19           As expected, the Governor signed Senate Bill 99  
20 by the Senate Budget Committee, which among other things  
21 memorializes in statute the proposed memoranda of  
22 understanding for State bargaining Unit 9, representing  
23 engineers, and Unit 10, scientists. In my last update I  
24 detailed its retiree health care prefunding provisions and  
25 proposed changes to annuitant health care coverage for

1 newly hired members of those bargaining units.

2           In addition, he signed Senate Bill 102, a budget  
3 cleanup bill that delays for one year, until November 1st,  
4 2016, the deadline for CalPERS to submit specified  
5 information regarding its health benefit plans.

6           The Governor also signed Senate Bill 350 by  
7 Senator De Leon which, after late amendments to the bill  
8 were made to gain the votes necessary for passage,  
9 establishes goals for increasing the use of energy from  
10 renewable sources, and increasing energy efficiency in  
11 California by the year 2030.

12           Finally, the Governor vetoed two CalPERS-specific  
13 bills, the first being Assembly Bill 1031 by Assembly  
14 Member Thurmond, which would have specified that a PEMHCA  
15 contracting agency is required to fulfill its employer  
16 contribution obligations for health benefits to include  
17 reimbursement for Medicare Part B premiums, as mutually  
18 agreed upon through collective bargaining or as required  
19 by statute.

20           In his veto message, the Governor indicated the  
21 bill could be interpreted to expand retiree health  
22 benefits by PEMHCA contracting agencies to reimburse the  
23 Medicare Part B premiums. He said these benefits should  
24 continue to be collectively bargained at the local level,  
25 and went on to reference the unfunded liabilities of State

1 and local retiree health plans.

2 Another Bill vetoed by the Governor was Senate  
3 Bill 292 by Senator Pan, which would have exempted  
4 employees of cities and counties with voter-approved  
5 property tax levees to fund pension costs from the  
6 prohibition on employer-paid member contributions  
7 contained in the Public Employees Pension Reform Act of  
8 2013 that apply to employees that first become members of  
9 a State or county retirement system on or after January 1,  
10 2013.

11 In that veto message the Governor indicated that  
12 the cost-sharing requirements in PEPRA are unrelated to  
13 whether a city or county has an existing parcel tax for  
14 pensions, and that it is a crucial element of pension  
15 reform that must be retained.

16 As for the other bills listed in your packet,  
17 they await further action when the legislature returns in  
18 January.

19 Finally, I would take this opportunity to update  
20 you on action related to two retirement benefit reform  
21 initiative proposals sponsored by former San Jose Mayor  
22 Chuck Reed and former San Diego City Councilman Carl  
23 DeMaio. They were submitted to the Attorney General on  
24 Monday, October 5th. And we would expect the required  
25 analysis by the Legislative Analyst's office and

1 Department of Finance to be completed by late November and  
2 release of the Attorney General's title and summary in  
3 early December. It is at that time that the sponsors can  
4 begin to seek the approximately 585,000 valid signatures  
5 necessary to place a proposed constitutional amendment on  
6 the November 2016 general election ballot.

7           If approved, the Voter Empowerment Act of 2016  
8 requires voters to approve traditional pensions for new  
9 government hires and future increases in pension benefits  
10 for all government workers. It is a revised version of a  
11 measure they submitted in June and recently announced that  
12 they were abandoning. If approved, the second, which is  
13 called the Government Pension Cap Act of 2016, limits  
14 government employer retirement benefit costs for new hires  
15 to specified percentages of base salary.

16           Just briefly I'll go into a specifics of the  
17 Voter Empowerment Act.

18           First, it would prohibit pension benefit  
19 enhancements for all government employees enrolled in  
20 defined benefit plans unless approved by voters. It  
21 closes defined benefit plans to all new government  
22 employees hired on or after January 1, 2019, unless  
23 approved by voters. It prohibits employers from paying  
24 more than half of the total costs for new government  
25 employee retirement benefits, which is defined to include

1 defined benefit and defined contribution retirement plans,  
2 retiree health care plans, or any form of deferred  
3 compensation provided by the employer unless approved by  
4 voters.

5           It would also limit employers and retirement  
6 boards in the exercise of specified responsibilities as  
7 plan sponsors and plan trustees.

8           The other, which is the Government Pension Cap  
9 Act of 2016, would for individuals hired on or after  
10 January 1, 2019, prohibit government employers from  
11 contributing more than 11 percent of base compensation  
12 toward new miscellaneous employees retirement benefits or  
13 13 percent of base compensation towards new safety  
14 employees retirement benefits unless the new limits are  
15 approved by the voters.

16           It would also prohibit employers from paying more  
17 than half of the total costs for new employee retirement  
18 benefits. And that is defined to include defined benefit  
19 and defined contribution plans, retiree health care plans,  
20 Social Security, or any form of deferred compensation  
21 provided by the employer unless approved by the voters.

22           CalPERS' review and analysis of these proposals  
23 is ongoing, but ambiguities in these initiatives and  
24 potential future litigation make it difficult to answer  
25 many questions at this time.

1           That concludes my presentation. I'm happy to  
2 answer any questions.

3           PRESIDENT FECKNER: Thank you.

4           Ms. Taylor.

5           BOARD MEMBER TAYLOR: Just one question. You  
6 mentioned it precludes Social Security.

7           LEGISLATIVE AFFAIRS ASSISTANT DIVISION CHIEF  
8 BLACKLEDGE: Yes.

9           BOARD MEMBER TAYLOR: So the employer now pays --  
10 I think we both pay 6.2 percent or something like that.

11           LEGISLATIVE AFFAIRS ASSISTANT DIVISION CHIEF  
12 BLACKLEDGE: Correct.

13           BOARD MEMBER TAYLOR: So that's by federal law,  
14 right?

15           LEGISLATIVE AFFAIRS ASSISTANT DIVISION CHIEF  
16 BLACKLEDGE: Correct. And the government employers have  
17 the option to either coordinate their benefits with Social  
18 Security or not to coordinate benefits. But that would  
19 be -- the 6.2 percent would be included in the either 11  
20 percent or 13 percent cap.

21           BOARD MEMBER TAYLOR: Okay. But since Social  
22 Security is federally mandated, they couldn't really  
23 affect Social Security as far as I understand it. They  
24 would reduce the other is what your saying. So if they're  
25 combining Social Security with other benefits, then they

1 would have to reduce the other if you were receiving  
2 Social Security?

3 LEGISLATIVE AFFAIRS ASSISTANT DIVISION CHIEF  
4 BLACKLEDGE: That is correct.

5 BOARD MEMBER TAYLOR: Okay.

6 PRESIDENT FECKNER: Seeing no other requests.  
7 Thank you.

8 CHIEF EXECUTIVE OFFICER STAUSBOLL:  
9 Mr. President?

10 PRESIDENT FECKNER: Yes.

11 CHIEF EXECUTIVE OFFICER STAUSBOLL: Thanks. I  
12 just wanted to take this chance to thank Scot for all the  
13 work he's done in the last few months. And he's done a  
14 great job of watching all our bills and going through the  
15 signing process.

16 So thank you, Scot.

17 LEGISLATIVE AFFAIRS ASSISTANT DIVISION CHIEF  
18 BLACKLEDGE: Thank you.

19 PRESIDENT FECKNER: Thank you.

20 Brings us to Agenda Item 11, the Summary of Board  
21 Direction.

22 I don't think we gave any direction,  
23 Ms. Stausboll. Did you pick up anything?

24 CHIEF EXECUTIVE OFFICER STAUSBOLL: The only  
25 follow-up item would be the two full hearings that you

1 voted on.

2 PRESIDENT FECKNER: Right. Very good.

3 CHIEF EXECUTIVE OFFICER STAUSBOLL: Thank you.

4 PRESIDENT FECKNER: Okay. Brings us to Item 12,  
5 Public Comment.

6 After Mr. Robinson's already spoke, I have no  
7 other requests for public comment. Does anyone else wish  
8 to address the Board?

9 If not, then we will adjourn the open session and  
10 move into closed session to finish some litigation  
11 matters. And we will either see you at the employers  
12 conference or see you next month here.

13 Thank you, everyone. This open session is  
14 adjourned. We'll move into closed session in 10 minutes  
15 please.

16 (Thereupon the California Public Employees'  
17 Retirement System, Board of Administration  
18 open session meeting adjourned at 9:45 AM)

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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 27th day of October, 2015.



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