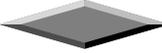


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT COMMITTEE**

**MINUTES OF MEETING
OPEN SESSION**

April 16, 2012



The Investment Committee met on Monday, April 16, 2012 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:34 a.m. and the following members were present:

Henry Jones, Chair
Michael Bilbrey
Julie Chapman, represented by Greg Beatty
John Chiang
Richard Costigan
Dan Dunmoyer
Rob Feckner
JJ Jelincic
Bill Lockyer

Terry McGuire represented John Chiang
Pam Milliron represented Bill Lockyer

The following Committee members participated by phone:
Priya Mathur

The following Committee members were excused:
George Diehr, Vice Chair

AGENDA ITEM 2 – EXECUTIVE REPORT, Chief Investment Officer (CIO) Briefing

Joseph Dear, Chief Investment Officer, provided the CIO Briefing. The report included a review of the state of the U.S. and global economies, ongoing developments in the European sovereign debt crisis, and general market conditions. Mr. Dear highlighted the performance of the Public Equity, Private Equity, and Fixed Income portfolios over the past nine months. Mr. Dear also summarized his observations on the benefits that pursuing environmental, social, and governance (ESG) principles could bring to the System's investment objectives.

AGENDA ITEM 3 – CONSENT ITEMS

Action Consent Items

On **MOTION** by Mr. Jelincic, **SECONDED** and **CARRIED** that the following action consent items be approved as presented:

- a. Approval of the March 12, 2012 Open Session Meeting Minutes
- b. Real Estate Board Investment Consultant – Special Project Request
- c. Revision of Asset Allocation Delegation Resolution for Professional Staff

AGENDA ITEM 4 – CONSENT ITEMS

Information Consent Items

The Committee accepted the following information consent items:

- a. Annual Rolling Calendar Review
- b. Draft Agenda for the May 14, 2012 Committee Meeting
- c. Activity Reports
 1. Total Fund Monthly Update
 2. Special Review Implementation Plan – Investment Office

AGENDA ITEM 5 – TOTAL FUND, Long-Term Care Asset Allocation

Geraldine Jimenez, Division Chief, Ned McGuire and Stephen Marshall, Wilshire Consulting, presented the item. Alan Milligan, CalPERS Actuarial Office, Michael Schlachter, Wilshire Consulting, and Ben Meng, CalPERS Asset Allocation Senior Portfolio Manager, were available to answer questions.

Staff recommended the approval of the revised Long-Term Care fund strategic asset allocation with an immediate move to a 15% equity allocation. It was noted that the examples provided in the presentation were illustrations of possible premium volatility and that additional information on actual premiums would be brought to the Pension and Health Benefits Committee at a future date.

Public comment was received from Dr. Phillip D. Sherwood, California State Retirees (CSR), and Steve Kuwai, Retired Public Employees Association (RPEA) Chapter 4, in opposition to the revised asset allocation.

On **MOTION** by Mr. Beatty, **SECONDED** and **CARRIED** to approve staff's recommendation to adopt the revised strategic asset allocation.

AGENDA ITEM 6a – TOTAL FUND, CalPERS Consultant Total Fund Quarterly Performance Report

The item had been previously presented at the March 12, 2012 Investment Committee meeting and was placed on the April agenda because of time constraints at the March meeting. Michael Schlachter and Andrew Junkin, Wilshire Consulting, presented the report by summarizing key points, including a review of performance across the total fund for the quarter ending December 31, 2011 and general market conditions.

The Committee recessed at 12:36 p.m. and reconvened at 1:23 p.m.

AGENDA ITEM 6b – TOTAL FUND, Target Operating Model (TOM) Update

Janine Guillot, Chief Operating Investment Officer, presented an update on the Target Operating Model (TOM). Highlights of the presentation included an overview of the key focus areas, sequence of major initiatives, major accomplishments, and key deliverables for the next six months.

AGENDA ITEM 6c – TOTAL FUND, Corporate Governance Update

Anne Simpson, Senior Portfolio Manager, presented the item. Highlights of the presentation included an overview of recent accomplishments and initiatives of the Corporate Governance Program. It was noted that this oral update was out of sequence with the regular Corporate Governance quarterly report and that the next regular report is scheduled for the upcoming May Committee meeting.

AGENDA ITEM 7a – PROGRAM REVIEWS, Public Equity Annual Program Review

Eric Baggesen, Senior Investment Officer, and Dan Bienvenue, Senior Portfolio Manager, presented the item. Highlights of the presentation included the role of the Public Equity program within the total fund, portfolio characteristics and performance, and an update on market conditions. Michael Schlachter, Wilshire Consulting, presented on the Wilshire review of the Internal Passive Equity Portfolios and commented on the Global Equity Program.

AGENDA ITEM 7b – PROGRAM REVIEWS, Fixed Income Annual Program Review

Curtis Ishii, Senior Investment Officer, and Mike Rosborough Portfolio Manager, presented the item. Senior Portfolio Managers Kevin Winter and Arnie Phillips were available to answer questions from the Committee. Highlights of the presentation included an overview of portfolio characteristics and performance, a market update, and upcoming proposals regarding internalizing the management of the International Fixed

Income Program. A correction was noted that the Member Home Loan Program (MHLP) was written down approximately 18% and not 8% as indicated in Attachment 1 of the meeting materials for the item. Andrew Junkin, Wilshire Consulting, spoke to the opinion letter provided by Wilshire Consulting for the item including the upcoming proposal to internalize the management of the International Fixed Income Program.

AGENDA ITEM 8 – PUBLIC COMMENT

There were no additional public comments.

The meeting was adjourned at 3:48 p.m.

The next Committee meeting is scheduled for May 14, 2012 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer