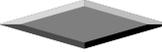



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT COMMITTEE**

**MINUTES OF MEETING
OPEN SESSION**

August 13, 2012



The Investment Committee met on Monday, August 13, 2012 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:35 a.m. and the following members were present:

Henry Jones, Chair
George Diehr, Vice-Chair
Michael Bilbrey
Julie Chapman, represented by Greg Beatty
John Chiang, represented by Terry McGuire
Richard Costigan
Dan Dunmoyer
Rob Feckner
JJ Jelincic
Bill Lockyer, represented by Steve Coony
Priya Mathur
Bill Slaton

Bill Lockyer was also represented by Pam Milliron.

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

Joseph Dear, Chief Investment Officer, provided the CIO Briefing. The report included a review on the conditions of the U.S. and global economies, ongoing developments in key markets, economic indicators, and general market conditions. Mr. Dear highlighted that it appears the housing market is turning more positive and may result in a gradual improvement in the job market.

AGENDA ITEM 3 – CONSENT ITEMS

Action Consent Items

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

- a. Approval of the June 11, 2012 Open Session Meeting Minutes
- b. Revision of the Affiliate Investment Programs Delegation and the Supplemental Income Plans Policy

AGENDA ITEM 4 – CONSENT ITEMS

Information Consent Items

The Committee accepted the following information consent items:

- a. Draft Agenda for the September 10, 2012 Committee Meeting
- b. Annual Rolling Calendar Review
- c. Activity Reports
 - 1) Total Fund Monthly Update
 - 2) Special Review Implementation Plan

AGENDA ITEM 5a – Policy & Delegation, Revision of the Consultant Conflict of Interest Policy

Carol Moody, Senior Portfolio Manager, presented the item. The presentation included an overview of the key revisions, including expanding the types of entities covered under the policy to include all external investment resources in addition to investment consultants. This increase in scope will result in over 250 additional entities being covered under the Policy.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED** to approve staff's recommendation to adopt the revised Consultant Conflict of Interest Policy, and to rename the Policy to "External Investment Resource Conflict of Interest Policy" as presented. Mr. Jelincic abstained.

AGENDA ITEM 6a – TOTAL FUND, Approval of the CalPERS Five-Year Plan for Emerging Manager Participation

Laurie Weir, Senior Portfolio Manager, and Renae Griffin, RG & Associates, presented the item. The presentation included an overview of the CalPERS Five-Year Plan for Emerging Manager (EM) Participation, including key work streams defined in the Plan and key objectives and benefits associated with the Plan. It was noted that key industry stakeholders were engaged to provide feedback on the Plan.

There was discussion by the Committee regarding the importance of regular and effective monitoring and measurement of performance, for both ancillary and fiduciary benefits, of Emerging Manager programs across CalPERS.

On **MOTION** by Mr. Diehr, **SECONDED** and **CARRIED** to approve staff's recommendation to approve the CalPERS Five-Year Plan for Emerging Manager Participation and to transmit it to the Legislature.

AGENDA ITEM 7a – TOTAL FUND, CIO Quarterly Performance Report and Consultant Performance Review

Joseph Dear, Chief Investment Officer, Senior Investment Officers Eric Baggesen, Réal Desrochers, Ted Eliopoulos, and Curtis Ishii, and Senior Portfolio Manager Ed Robertiello, presented the item. The presentation included an overview of quarterly performance for the Global Equity, Private Equity, Real Assets, Fixed Income, and the Absolute Return Strategies Programs.

The Committee recessed for lunch from 12:32 p.m. to 1:20 p.m.

The Primary Pension Consultants to the Board, Michael Schlachter and Andrew Junkin with Wilshire Associates Consulting, presented the Wilshire review of the Total Fund's quarterly performance. Additionally, Michael Moy and David Glickman presented Pension Consulting Alliance's (PCA) review of the Private Equity and Real Estate Programs respectively.

AGENDA ITEM 7b – TOTAL FUND, Global Governance Program Update

Anne Simpson, Senior Portfolio Manager, presented the item. The presentation included an overview of key accomplishments and initiatives of the Global Governance Program.

AGENDA ITEM 8a – PROGRAM REVIEW, Private Equity Program Update and Partner Presentation

Réal Desrochers, Senior Investment Officer, Sarah Corr and Christine Gogan, Senior Portfolio Managers, presented the program update for the Private Equity Program. The presentation included an overview of performance, current market conditions, and the role of the Private Equity Program within the Total Fund. The Chair directed staff to return with additional information on a path forward to continue to monitor and focus on California investments.

David Brailer, Health Evolution Partners, presented an update on the Healthcare Investment Initiative (HII). The presentation included an overview of the development of the HII, healthcare industry trends, and key elements of the HII investment strategy.

The Committee recessed from 3:45 p.m. to 3:54 p.m.

AGENDA ITEM 8b(1) PROGRAM REVIEW, Real Assets – Real Estate Program Update

Ted Eliopoulos, Senior Investment Officer, presented the item and noted that many elements of the Program Update had been covered in earlier presentations, such as the CIO Quarterly Performance Report and Consultant Performance Review.

AGENDA ITEM 8b(2) PROGRAM REVIEW, Real Assets – Consultant Review of the Real Estate Portfolio

There were no additional questions for the Board’s Real Estate Consultants, PCA, and due to time constraints the Committee accepted the item with no additional presentation.

AGENDA ITEM 8b(3) – PROGRAM REVIEWS, Real Assets – Infrastructure and Forestland Program Update

Ted Eliopoulos, Senior Investment Officer, and Randall Mullan, Senior Portfolio Manager, presented the item. The presentation included the continued development of the Infrastructure and Forestland Program, the role of the Program within the Total Fund, portfolio characteristics and performance, and an update on key initiatives. The Board’s Infrastructure Consultants, David Altshuler and Stephen McCourt with Meketa Investment Group Inc., were available to answer questions and noted that a market update had been prepared as an attachment to the Program Update. Additionally, the Board’s Forestland Consultants, Michael Schlachter and Andrew Junkin with Wilshire Associated Consulting, were available to respond to questions from the Committee.

AGENDA ITEM 9 – PUBLIC COMMENT

Public comment was received from Dennak Murphy and Randy Cheek, with Service Employees International Union (SEIU) 1000, regarding a recent labor dispute that has since been resolved.

The meeting was adjourned at 4:30 p.m.

The next Committee meeting is scheduled for September 10, 2012 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer