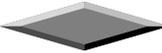


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT COMMITTEE**

**MINUTES OF MEETING
OPEN SESSION**

February 19, 2013



The Investment Committee met on Tuesday, February 19, 2013 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 11:20 a.m. and the following members were present:

Henry Jones, Chair
George Diehr, Vice-Chair
Michael Bilbrey
Julie Chapman, represented by Darlene Schell
John Chiang, represented by Terrence McGuire
Richard Costigan
Dan Dunmoyer
Rob Feckner
JJ Jelincic
Bill Lockyer
Priya Mathur
Bill Slaton

Bill Lockyer was also represented by Pam Milliron.

The following members were excused:
Ron Lind

AGENDA ITEM 2 – ELECTION OF CHAIR AND VICE-CHAIR

Mr. Slaton nominated Mr. Jones to Chair the Committee.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED** that Mr. Jones be elected Chair of the Investment Committee.

Mr. Lockyer nominated Mr. Diehr to Vice-Chair the Committee.

On **MOTION** by Mr. Jelincic, **SECONDED** and **CARRIED** that Mr. Diehr be elected Vice-Chair of the Investment Committee.

AGENDA ITEM 3 – EXECUTIVE REPORT, Chief Investment Officer (CIO) Briefing

Joseph Dear, Chief Investment Officer, provided the CIO Briefing. Mr. Dear highlighted key topics for the meeting and his observations on the current investment environment.

AGENDA ITEM 4 – CONSENT ITEMS

On **MOTION** by Mr. Diehr, **SECONDED** and **CARRIED**, that the following action consent items be approved as presented. The motion passed.

- a. Approval of the Meeting Minutes
- b. Annual Report to the Legislature – Holocaust Era and Northern Ireland
- c. Proposed Regulation Relating to External Investment Resource Conflict of Interest Policy
- d. Revision of the Global Fixed Income Program Policy
- e. Revision of the Asset Allocation/Risk Management Delegation Resolution for Professional Staff

AGENDA ITEM 5 – CONSENT ITEMS

The Committee accepted the following information consent items:

- a. Annual Calendar Review
- b. Draft Agenda for the March 2013 Committee Meeting
- c. Total Fund Monthly Update

AGENDA ITEM 6a – ASSET ALLOCATION, PERFORMANCE & RISK, Extension of Interim Asset Allocation Targets

Ben Meng, Senior Portfolio Manager, presented the item. Michael Schlachter with Wilshire Associates, the Board's Primary Pension Consultant was available to answer questions from the Committee. The presentation included staff's recommendations to extend the current interim asset allocation targets through the 2013 calendar year. It was noted that new policy targets would be developed through the strategic asset allocation decision process.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to approve the extension of current interim asset allocation targets. The motion passed.

AGENDA ITEM 9b – TOTAL FUND, Assault Weapon Manufacturers Portfolio Review

This item was taken out of order. Joseph Dear, Chief Investment Officer, presented the item. Peter Mixon, General Counsel was available to answer questions from the Committee. The presentation included an overview of the methodology utilized by staff to evaluate assault weapon manufacturers within CalPERS portfolio.

Public comment was received from Dennak Murphy with Service Employees International Union and Mikos Fabersunne with Israel Divestment Campaign in support of the divestment for assault weapon manufacturers.

On **MOTION** by Mr. Lockyer, **SECONDED** and **CARRIED**, to approve the divestment of direct investments in firearms manufacturers that produce and distribute to private persons, assault weapons which are illegal for private ownership or possession under California law. The motion passed.

<u>YES</u>		<u>NO</u>	<u>ABSTAIN</u>
Michael Bilbrey	Priya Mathur	Richard Costigan	
George Diehr	Darlene Schell	Dan Dunmoyer	
Rob Feckner	Terrence McGuire	Bill Slaton	
JJ Jelincic	Henry Jones		
Bill Lockyer			

AGENDA ITEM 7a – PROGRAM REVIEW, Absolute Return Strategies Strategic Plan

Joseph Dear, Chief Investment Officer, and Ed Robertiello, Senior Portfolio Manager, presented the item. Michael Schlachter with Wilshire Associates, the Board’s Primary Pension Consultant was available to answer questions from the Committee. The presentation includes staff’s recommendations regarding the Absolute Return Strategies Program’s role within the portfolio, Program benchmarks, capital source, size, and associated economic resources. It was noted staff will return with a revised program policy that incorporates the Absolute Return Strategies Strategic Plan.

The Committee recessed from 1:16 p.m. to 2:03 p.m.

AGENDA ITEM 7b – PROGRAM REVIEW, Consultant Review of the Absolute Return Strategies Program

Michael Schlachter with Wilshire Associates, the Board's Primary Pension Consultant, presented the item. The presentation included an annual review of the Absolute Return Strategies Program including investment processes and resources.

AGENDA ITEM 8a – ASSET ALLOCATION, PERFORMANCE & RISK, CalPERS CIO Total Fund Performance and Risk Report

Joseph Dear, Chief Investment Officer, Senior Investment Officers Eric Baggesen, Réal Desrochers, Curtis Ishii and Ted Eliopoulos, and Senior Portfolio Manager Ed Robertiello, presented the item. The presentation included an overview of risk and performance across the Total Fund.

Joseph Dear also highlighted changes in the current state and outlook of the economy since the last report, including areas of improvement and decline in the markets.

AGENDA ITEM 8b – ASSET ALLOCATION, PERFORMANCE & RISK, Consultant Total Fund Performance and Risk Report

Michael Schlachter and Andrew Junkin with Wilshire Associates, the Board's Primary Pension Consultant, presented the item. The presentation included Wilshire Associates' review of risk and performance across the Total Fund.

Additionally, David Glickman and Michael Moy presented Pension Consulting Alliance's review of the Private Equity and Real Estate Programs respectively.

The Committee recessed from 3:50 p.m. to 4:01 p.m.

AGENDA ITEM 9a – TOTAL FUND, Global Governance Program Update

Anne Simpson, Senior Portfolio Manager, presented the item. The presentation included an overview of the core issues and framework for setting priorities of the Global Governance Program.

AGENDA ITEM 10 – PUBLIC COMMENT

Public comment was received from Alyssa Giachino, Nubia Calderon, Nico Quiapos with UNITE HERE with an update on a labor dispute in Los Angeles.

Public comment was also received from Dennak Murphy with Service Employees International Union regarding the Absolute Return Strategies Strategic Plan.

The meeting was adjourned at 4:41 p.m.

The next Investment Committee meeting is scheduled for March 18, 2013 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer