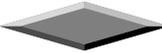


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT COMMITTEE**

**MINUTES OF MEETING
OPEN SESSION**

April 15, 2013



The Investment Committee met on Monday, April 15, 2013 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:52 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
Richard Costigan
Rob Feckner
JJ Jelincic
Ron Lind
Bill Lockyer, represented by Pam Milliron
Priya Mathur
Bill Slaton

AGENDA ITEM 2 – 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. It was noted that the Committee would participate in an Investment Beliefs workshop later in the day.

AGENDA ITEM 3 – CONSENT ITEMS

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

- a. Approval of the Meeting Minutes

The following items were removed from the consent calendar for additional discussion in open session.

- b. Adoption of the Public Employees' Health Care Fund Policy
- c. Revision of the Real Assets Program Policy
- d. Revision of the Absolute Return Strategies Program Policy
- e. Revision of the Real Assets Delegation Resolution for Professional Staff
- f. Revision of the Affiliate Investment Programs Delegation Resolution for Professional Staff

AGENDA ITEM 4 – CONSENT ITEMS

The Committee accepted the following information consent items:

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

Agenda items were taken out of order.

AGENDA ITEM 3b – POLICY & DELEGATION, Adoption of the Public Employees' Health Care Fund Policy

Geraldine Jimenez, Portfolio Manager, presented the Public Employees' Health Care Fund Policy. The new policy will improve transparency and alignment with other Affiliate Funds. It was noted that staff incorporated feedback from the Committee's initial review of the policy to include an asset allocation review requirement every three years.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to approve the adoption of the Public Employees' Health Care Fund policy. The motion passed.

AGENDA ITEM 3f – POLICY & DELEGATION, Revision of the Affiliate Investment Programs Delegation Resolution for Professional Staff

Geraldine Jimenez, Portfolio Manager, presented the revised Affiliate Investment Programs Delegation Resolution (Delegation). An amended version of the Delegation was provided to the Committee. The revised Delegation removes the Chief Investment Officer's ability to set fees, premiums and select a third party administrator. These responsibilities are being transferred to the Deputy Executive Officer of the Customer Services and Support Branch.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to approve the revised Affiliate Investment Programs Delegation Resolution for Professional Staff as amended. The motion passed.

AGENDA ITEM 3c – POLICY & DELEGATION, Revision of the Real Assets Program Policy

Ted Eliopoulos, Senior Investment Officer, presented the revised Real Assets Program Policy. The policy revisions extend the interim Real Estate portfolio limits by a two year period to allow staff adequate time to bring the portfolio into compliance and continue implementation of the Real Estate Strategic Plan.

On **MOTION** by Mr. Diehr, **SECONDED** and **CARRIED**, to approve the revised Real Assets Program Policy. The motion passed. Mr. Jelincic voted no.

AGENDA ITEM 3e – POLICY & DELEGATION, Revision of the Real Assets Delegation Resolution for Professional Staff

Ted Eliopoulos, Senior Investment Officer, presented the revised Real Assets Delegation Resolution (Delegation). The revised Delegation clarifies term definitions and reduces ambiguity.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to approve the revised Real Assets Delegation Resolution for Professional Staff. The motion passed.

AGENDA ITEM 3d – POLICY & DELEGATION, Revision of the Absolute Return Strategies Program Policy

Ed Robertiello, Senior Portfolio Manager, presented the revised Absolute Return Strategies Program Policy. The policy revisions reflect the updated program parameters per the Absolute Return Strategies Strategic Plan presented in February 2013. It was noted the Program's size would be determined through the 2013 Strategic Asset Allocation Decision Process. Ms. Mathur requested to amend the policy to include proxy voting policies in a "fund of one" situation.

The Chair directed staff to coordinate with Ms. Mathur to amend to the policy.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to approve the revised Absolute Return Strategies Program Policy as amended. The motion passed.

AGENDA ITEM 5a – INDEPENDENT OVERSIGHT, Board Investment Consultant RFP – Infrastructure Program

This item was deferred until a later date.

AGENDA ITEM 6a – LEGISLATION, AB 761 (Dickinson) Firearm and Ammunition Manufacturer Divestment

Danny Brown, Chief of the Office of Governmental Affairs, presented the item. The presentation included an overview of AB 761 (Dickinson) regarding firearm and ammunition manufacturer divestment. It was noted that the bill as written is very broad in scope and would likely significantly hinder the Board in the execution of its fiduciary duties.

On **MOTION** by Mr. Feckner, **SECONDED** and **CARRIED**, to adopt an opposed position to AB 761 (Dickinson). The motion passed. Darlene Schell abstained.

AGENDA ITEM 7a – POLICY & DELEGATION, Proposed Revision of the Total Fund Benchmarks Policy to reflect Global Fixed Income Benchmark and Inflation Assets Benchmark Changes – Initial Review

This item was deferred until a later date.

AGENDA ITEM 7b – POLICY & DELEGATION, Proposed Revision of the Global Fixed Income Program Policy – Initial Review

This item was deferred until a later date.

AGENDA ITEM 7c – POLICY & DELEGATION, Proposed Revision of the Inflation Assets Policy – Initial Review

This item was deferred until a later date.

AGENDA ITEM 8a – BUSINESS PLAN/ROADMAP, Cost Effectiveness

Janine Guillot, Chief Operating Investment Officer, presented an overview of the Investment Office (INVO) Roadmap Cost Effectiveness Strategic Priority. Highlights of the presentation included investment management cost drivers, cost structure versus peer benchmarks, and cost trends.

AGENDA ITEM 9 – PUBLIC COMMENT

No public comments were provided at the meeting.

The meeting was adjourned at 12:10 p.m.

The next Investment Committee meeting is scheduled for May 13, 2013 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer