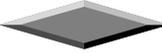


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT COMMITTEE**

**MINUTES OF MEETING
OPEN SESSION**

February 18, 2014



The Investment Committee (Committee) met on Tuesday, February 18, 2014 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:25a.m. and the following members were present:

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

The following members were excused:
Ron Lind

AGENDA ITEM 2 – ELECTION OF CHAIR AND VICE-CHAIR

Vice-Chair George Diehr opened the floor for nominations for the Chair of the Investment Committee. Mr. Slaton nominated Mr. Jones. No further nominations were made.

On **MOTION** by Mr. Slaton, **SECONDED** and **CARRIED**, the Committee reelected Mr. Jones as Chair of the Investment Committee.

Chairman Jones opened the floor for nominations for the Vice-Chair of the Investment Committee. Mr. Bilbrey nominated Mr. Diehr. No further nominations were made.

On **MOTION** by Mr. Bilbrey, **SECONDED** and **CARRIED**, the Committee reelected Mr. Diehr as Vice-Chair of the Investment Committee.

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

Ted Eliopoulos, Acting CIO, provided the CIO Briefing and noted key items on the day's agenda.

AGENDA ITEM 4 – CONSENT ITEMS

On **MOTION** by Mr. Jelincic, to approve the consent items, **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 California Legislature – Holocaust Era and Northern Ireland

AGENDA ITEM 5 – CONSENT ITEMS

The Committee accepted the following information consent items:

- a. Annual Calendar Review
- b. Draft Agenda for March 2014
- c. Total Fund Monthly Update – Performance and Risk

Ted Eliopoulos requested that agenda item 5d, Total Fund Monthly Update – Investment Compliance, be removed from the consent calendar for discussion of a reported policy violation regarding the Restricted Trading List.

AGENDA ITEM 5d – TOTAL FUND, Total Fund Monthly Update – Investment Compliance

Carol Moody, Interim Chief Operating Investment Officer, provided a brief overview of the nature of the policy violation involving trade of a security on the Restricted Company List. Ms. Moody also described the difference between the March 2013 trades involving two securities on the Restricted Company List and outlined the processes that have since been put in place to mitigate future occurrences. Dan Bienvenue, Acting Senior Investment Officer, responded to questions from the Committee.

Public Comment was received from John Pace and Wendal Prude, with SEIU Local 1000, regarding CalPERS use of contractors and agreements between SEIU and CalPERS.

Neal Johnson, with SEIU Local 1000, provided public comment regarding CalPERS Restricted Trading List and implications for State employees.

AGENDA ITEM 6a – TOTAL FUND, Annual Report to the California Legislature – CalPERS Emerging Manager Five-Year Plan

Laurie Weir, Senior Portfolio Manager, presented the item. The presentation summarized key highlights of the report over the 11-month period ending June 30, 2013, as well as upcoming activities.

On **MOTION** by Mr. Costigan, **SECONDED** and **CARRIED**, to approve transmission of the CalPERS Emerging Manager Five-Year Plan Year One Report to the California Legislature. The motion passed.

AGENDA ITEM 7a – POLICY AND DELEGATION, Revision of the Real Assets Delegations Resolution for Professional Staff

Ted Eliopoulos, Acting Chief Investment Officer, presented the item. It was noted that the revised Delegation would align with current fund values and CalPERS Statement of Investment Policy for Asset Allocation, by raising the hard dollar-cap amounts specified in the Delegation.

On **MOTION**, by Ms. Mathur, **SECONDED** and **CARRIED**, to approve the revised Real Assets Delegation Resolution for Professional Staff. Mr. Jelincic voted no. The motion passed.

AGENDA ITEM 7b – POLICY & DELEGATION, Revision of the Global Fixed Income Delegation Resolution for Professional Staff

Ted Eliopoulos, Acting Chief Investment Officer, presented the item. It was noted that the proposed revisions were administrative in nature.

On **MOTION**, by Mr. Diehr, **SECOND** and **CARRIED**, to approve the revised Global Fixed Income Delegation Resolution for Professional Staff. The motion passed.

AGENDA ITEM 8a – ORGANIZATIONAL SYSTEMS & CONTROLS, Contracts Administration: Private Equity Board Consultant Request for Proposal

Carol Moody, Interim Chief Operating Investment Officer, presented the item. The presentation outlined the initiation of the Private Equity Board Consultant Request for Proposal (RFP) process. Ms. Moody noted that, per feedback from members of the Committee, staff will amend the RFP documentation to enhance clarity and increase alignment with the Role of the Private Asset Class Consultant Policy.

On **MOTION**, by Mr. Jelincic, **SECONDED** and **CARRIED**, to approve the proposed RFP documentation with amendments to be made by staff, and to initiate the RFP process for the Private Equity Board Investment Consultant. The motion passed.

AGENDA ITEM 8b – ORGANIZATIONAL SYSTEMS & CONTROLS, Contracts Administration: General Pension Consultant Spring-Fed Pool – Term Extension

Carol Moody, Interim Chief Operating Investment Officer, presented the item. It was noted the extension will provide additional time to explore and develop a scope of services for a new RFP that is aligned with the Investment Office Roadmap Strategic Objectives.

On **MOTION**, by Ms. Mathur, **SECONDED** and **CARRIED**, to approve the extension of the General Pension Consultant Spring-Fed Pool. Mr. Jelincic voted no. The motion passed.

Wendal Prude with SEIU Local 1000, provided public comment regarding concerns about the use of external contractors.

AGENDA ITEM 9a – TOTAL FUND, Consultant Total Fund Performance and Risk Report

Michael Schlachter 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. Mr. Schlachter also highlighted changes in the current state and outlook of the economy, including areas of recent improvement and decline in the markets.

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

AGENDA ITEM 9b – TOTAL FUND, Acting CIO Total Fund Performance and Risk Report

Ted Eliopoulos, Acting Chief Investment Officer, Eric Baggesen, Senior Investment Officer, and John Rothfield, Portfolio Manager, presented the item. The presentation included highlights of the risk and performance across the Total Fund and current economic conditions.

The Committee recessed from 12:29 p.m. to 1:17 p.m.

AGENDA ITEM 10a – PROGRAM REVIEWS, Global Governance Program Update

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

AGENDA ITEM 11a – TOTAL FUND, Strategic Asset Allocation Alternatives

Eric Baggesen, Senior Investment Officer, Cheryl Eason, Chief Financial Officer, and Alan Milligan, Chief Actuary, presented the item. The presentation included three possible strategic asset allocations resulting from the cumulative input throughout the 2013-2014 Asset Liability Management process. It was noted that each of the three alternatives would represent an acceptable choice; however that staff's recommendation was for Portfolio A which demonstrates the lowest expected volatility. Michael Schlachter, Wilshire Associates, and Allan Emkin, PCA, were available to answer questions from the Committee.

On **MOTION** by Mr. Diehr, **SECONDED** and **CARRIED**, that the Investment Committee adopt Portfolio A and recommend the Board include Portfolio A as part of its action on item 3a of the agenda for the special session of the Board on February 18, 2014. Mr. Jelincic voted no. The motion passed.

AGENDA ITEM 9 – PUBLIC COMMENT

Public comment was received from Alyssa Giachino, with Unite Here, provided public comment in support of a recent outcome regarding a labor dispute in Las Vegas.

The meeting recessed at 2:13 p.m.

The meeting adjourned at 4:46 p.m.

The next Investment Committee meeting is scheduled for March 17, 2014 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer