CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT COMMITTEE

MINUTES OF MEETING
OPEN SESSION

March 17, 2014

The Investment Committee (Committee) met on Monday, March 17, 2014 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:30 a.m. and the following members were present:

Henry Jones, Chair
George Diehr, Vice-Chair
Michael Bilbrey
John Chiang
Richard Costigan
Rob Feckner
Richard Gillihan
JJ Jelincic
Ron Lind
Bill Lockyer, represented by Frank Moore
Priya Mathur
Bill Slaton

John Chiang was also represented by Terrence McGuire.
Richard Gillihan was also represented by Darlene Schell.

AGENDA ITEM 2 – Tribute to Joseph A. Dear

Rob Feckner, Board President, Anne Stausboll, Chief Executive Officer, and members of Joseph A. Dear's family conducted a memorial to celebrate the life of Mr. Dear, and pay tribute to him, his life and his tremendous contributions to CalPERS and our members.

The Committee recessed from 11:08 a.m. to 11:31 a.m.

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

Ted Eliopoulos, Interim CIO, provided the briefing by highlighting key topics for the day's meeting. Mr. Eliopoulos also took a moment of personal privilege to introduce Mr. Wylie Tollette, who will be starting as CalPERS Chief Operating Investment Officer on April 1, 2014.

AGENDA ITEM 4 – CONSENT ITEMS

On **MOTION** by Ms. Mathur, 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

AGENDA ITEM 5 – CONSENT ITEMS

The Committee accepted the following information consent items:

a. Annual Calendar Review

b. Draft Agenda for April 2014

c. Total Fund Monthly Update – Performance and Risk

d. Total Fund Monthly Update – Investment Compliance

AGENDA ITEM 6a – POLICY & DELEGATION, Review of Investment Committee Delegation

Kami Niebank, Division Chief, presented the item. The presentation included an overview of proposed changes to the Investment Committee Delegation, as part of the annual review process set forth in CalPERS Board Governance Policy. Mr. Eliopoulos noted that the Committee received an updated version of the Delegation with a proposed amendment to include a new item B. (18). The new B. (18) standardized risk language, to be included in all delegations from the CalPERS Board of Administration to its Committees, as follows:

"Oversee management of risks related to the duties delegated to the Committee."

On **MOTION** by Mr. Jelincic, **SECONDED** and **CARRIED**, to amend item B. (4) as follows:

"Set total fund and asset class policy benchmarks." The motion passed.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to recommend the Delegation, to the Board for approval, as amended in the prior motion with an additional amendment to item B. (3), as follows:

"Conduct strategic asset allocation, set the target rate of return, and select the asset allocation mix, including interim allocation targets for each fund." The motion passed.

AGENDA ITEM 7a – ORGANIZATIONAL SYSTEMS & CONTROLS, Contracts Administration: Infrastructure Board Consultant Request for Proposal

Kami Niebank, Division Chief, presented the item. The presentation outlined the initiation of the Board Consultant Request for Proposal (RFP) for the Infrastructure Program.

On **MOTION**, by Mr. Jelincic, **SECONDED** and **CARRIED**, to approve the proposed RFP documentation as presented by staff and to initiate the RFP process for the Infrastructure Board Investment Consultant. The motion passed.

AGENDA ITEM 8a – PROGRAM REVIEWS, Targeted Investment Programs and Diversity Initiatives Update

Laurie Weir, Senior Portfolio Manager, presented the item. The presentation included an overview of progress to date, and key accomplishments of the Targeted Investment Programs on a number of initiatives and programs.

AGENDA ITEM 8b – PROGRAM REVIEWS, Emerging Manager Five-Year Plan – Peer Benchmarking Survey

Laurie Weir, Senior Portfolio Manager, Ron Peyton and Anna West of Callan Associates presented the item. The presentation included an update on the Peer Benchmarking work stream of the Five-Year Plan. It was noted that CalPERS is a leader in emerging manager engagement.

AGENDA ITEM 8c – PROGRAM REVIEWS, Emerging Manager Five-Year Plan – Proposal Tracking and Communication Initiative

Laurie Weir, Senior Portfolio Manager, and Judy Chambers of Pension Consulting Alliance Inc. (PCA) presented the item. The presentation included an explanation of CalPERS initiative to strengthen communications with emerging and diverse managers and stakeholder groups, as well as facilitating a better understanding of CalPERS investment proposal submittal and review process.

The Committee recessed for lunch at 12:30 p.m. to 1:15 p.m.

AGENDA ITEM 8d – PROGRAM REVIEWS, Emerging Manager Five-Year Plan – Private Equity Emerging Manager Program Review

Laurie Weir, Senior Portfolio Manager, Réal Desrochers, Senior Investment Officer, Anita Ng with Cambridge Associates, and Mike Moy with PCA, presented the item. The presentation summarized the activities and accomplishments of the CalPERS Private

Equity Emerging Manager Program Review (Review). It was noted that the Review was consistent with the Five-Year Plan to establish guidelines for the commitment of new capital to emerging manager programs.

AGENDA ITEM 9a – ASSET ALLOCATION, PERFORMANCE & RISK, Strategic Asset Allocation Implementation

Eric Baggesen, Senior Investment Officer, presented the item. The presentation summarized the proposed implementation process for, and implications of, the newly adopted strategic asset allocation for the Public Employees' Retirement Fund (PERF). Staff requested feedback and direction from the Committee regarding key areas of engagement and overall timeline, such as the establishment of interim allocation targets and revision of the Asset Allocation Strategy Policy.

AGENDA ITEM 10 – PUBLIC COMMENT

No public comment was received.

The meeting adjourned at 2:05 p.m.

The next Committee meeting is scheduled for April 14, 2014 in Sacramento, California.

_____
ANNE STAUSBOLL
Chief Executive Officer