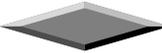


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT COMMITTEE**

**MINUTES OF MEETING
OPEN SESSION**

April 14, 2014



The Investment Committee (Committee) met on April 14, 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, represented by Darlene Schell
JJ Jelincic
Ron Lind
Bill Lockyer, represented by Frank Moore
Priya Mathur
Bill Slaton

John Chiang was also represented by Terrence McGuire.

The Chair took a moment of personal privilege to acknowledge the success of the Emerging Manager Forum held on April 1, 2014 in Sacramento, California.

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

Eric Baggesen, Senior Investment Officer provided the briefing on behalf of the Interim Chief Investment Officer. Mr. Baggesen also introduced Tom McDonagh as the Acting Senior Investment Officer of Real Assets, and shared his observations on recent market conditions, as well as key items on the day's agenda.

AGENDA ITEM 3 – CONSENT ITEMS

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to approve the following action consent item be approved as presented. The motion passed.

- a. Approval of the Meeting Minutes

AGENDA ITEM 4 – CONSENT ITEMS

The Committee accepted the following information consent items:

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

AGENDA ITEM 5a – ASSET ALLOCATION, PERFORMANCE & RISK, Strategic Asset Allocation Targets and Proposed Policy Revision

Eric Baggesen, Senior Investment Officer, presented the item. The presentation included an overview of proposed revisions to the Asset Allocation Strategy Policy including the use of interim asset allocation targets. Interim allocation targets for several asset classes were proposed to better reflect current market conditions while transitioning to the new strategic asset allocation adopted by the Board of Administration in February 2014.

Michael Schlachter and Andrew Junkin, with Wilshire Associates, presented an overview of the Wilshire Associates opinion letter. Allan Emkin, with Pension Consulting Alliance Inc. (PCA), also presented an overview of the PCA opinion letter provided with the item.

There was discussion that striving to meet allocation goals should not compromise staff's pricing discipline and responsiveness to market conditions. The Committee also discussed the importance of efforts to continue reducing risk within the Total Fund.

It was noted that staff anticipates returning at the May 19, 2014 Committee meeting with a recommendation for adoption of the revised Asset Allocation Strategy Policy.

AGENDA ITEM 6a – BUSINESS PLAN/ROADMAP, Investment Office Cost Effectiveness

Wylie Tollette, Chief Operating Investment Officer, and David McHenry, Investment Officer III, presented the item. Highlights of the presentation included investment management cost drivers, CalPERS cost structure versus peer benchmarks, and the Investment Office cost trends.

Dennak Murphy, with the Service Employees' International Union, provided public comment in support of the Investment Office's ongoing work regarding cost effectiveness.

AGENDA ITEM 7 – PUBLIC COMMENT

Public comment was received from representatives of Unite Here regarding a labor dispute. Public comment was also received from Bill Patterson, with the UAW Medical Trust, in support of CalPERS environmental, social, and governance initiatives.

The meeting adjourned at 12:34 p.m.

The next Committee meeting is scheduled for May 19, 2014 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer