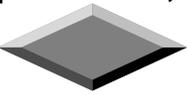


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT COMMITTEE**

**MINUTES OF MEETING
OPEN SESSION**

September 15, 2014



The Investment Committee (Committee) met on September 15, 2014 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:39 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
Dana Hollinger
JJ Jelincic
Ron Lind
Bill Lockyer, represented by Frank Moore
Priya Mathur
Bill Slaton

John Chiang was also represented by Terrence McGuire.

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

Ted Eliopoulos, Interim CIO, noted that in consideration of the day's agenda, he would reserve any comments to provide additional time for the remaining items on the agenda.

AGENDA ITEM 3 – CONSENT ITEMS

On **MOTION** by Mr. Lind, to approve the consent item, **SECONDED** and **CARRIED**, that 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 October 2014
- c. Monthly Update – Performance and Risk

AGENDA ITEM 5a – INDEPENDENT OVERSIGHT, Contracts Administration: Private Equity Investment Board Consultant – Selection of Finalists for Interview

Wylie Tollette, Chief Operating Investment Officer, presented the item. The presentation outlined the candidate firms available for interview as part of the Private Equity Investment Board Consultant Request for Proposal process. The three firms considered for interview were Albourne America LLC, Meketa Investment Group, Inc., and Pension Consulting Alliance.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to interview all three proposed firms for the Infrastructure Board Investment Consultant. The motion passed.

AGENDA ITEM 6a – ASSET ALLOCATION, PERFORMANCE & RISK, Affiliate Funds Strategic Asset Allocation Targets, Recommendations

Eric Baggesen, Senior Investment Officer and David Lamoureux, Deputy Chief Actuary presented the item. It was noted that the item's recommendation was in follow up to the initial recommendations presented at the August 2014 Committee meeting. Staff recommended that the Investment Committee approve the proposed Affiliate Fund policy portfolios for recommendation to the Board for adoption on September 17, 2014.

On motion by Mr. Diehr, and seconded, to move staff's recommendation. On motion from Mr. Jelincic, to amend the recommendation to utilize P9 instead of the suggested P8 for California Employers' Retirement Benefit Trust Fund Strategy 1, to provide employers with a higher return and risk profile portfolio option. Mr. Diehr declined the proposed amendment. No second was made. The motion failed.

On **MOTION** by Mr. Diehr, **SECONDED** and **CARRIED**, to move staff's recommendation as presented. The motion passed.

AGENDA ITEM 7a – PROGRAM REVIEWS, Global Governance Program Update and Financial Markets Overview

Anne Simpson, Senior Portfolio Manager, and Portfolio Managers James Andrus and Beth Richtman, presented the item. The presentation reviewed key initiatives for the

Financial Markets and Environmental, Social, and Governance (ESG) Integration work streams. It was noted that the item was being re-presented from the August 2014 Committee meeting due to time constraints.

AGENDA ITEM 7b – PROGRAM REVIEWS, Global Equity Annual Program Review

Dan Bienvenue, Senior Investment Officer, and John Cole, Senior Portfolio Manager, presented the item. The presentation included an overview of the Global Equity Program's characteristics, performance, structure, and key accomplishments. The integration of the Investment Beliefs into the Program was also discussed.

This item was resumed and finished after the conclusion of Agenda Item 10, which was noticed as time certain for 1:00 p.m.

AGENDA ITEM 10a – INDEPENDENT OVERSIGHT, Contracts Administration: Infrastructure Board Investment Consultant Interviews and Intent to Award

It was noted that this agenda item was noticed as time certain for 1:00 p.m., and was taken out of order. Wylie Tollette, Chief Operating Investment Officer, presented the item. Mr. Tollette provided the Committee the updated scores for the finalists. The Committee conducted interviews in alphabetical order as follows:

1. Courtland Partners Ltd.
2. Meketa Investment Group Inc.
3. StepStone Group LP

The firm with the highest cumulative score, StepStone Group LP, was selected as the Board's Infrastructure Investment Consultant. The Committee directed staff to begin negotiations with StepStone, and should negotiations be unsuccessful, begin negotiations with the next highest ranked finalist Meketa Investment Group Inc.

On **MOTION** by Mr. Jelincic to dismiss all applicants and restart the Request for Proposal process. No **SECOND** was made. The motion failed.

On **MOTION** by Mr. Diehr, **SECONDED** and **CARRIED**, to award a letter of engagement to StepStone Group LP and direct staff to commence contract negotiations. Mr. Jelincic voted no. The motion passed.

AGENDA ITEM 7c – PROGRAM REVIEWS, Consultant Review of Global Equity Program

Julia Bonafede and Steve Foresti, with Wilshire Associates Consulting, presented the item. The presentation included key highlights of Wilshire Associates' review of the Global Equity Program's management and performance.

AGENDA ITEM 8a – POLICY & DELEGATION, Proposed Revision of Global Equity Policy and Incorporation of the Corporate Governance Program and Developmental Investment Fund Policies – Initial Review

Dan Bienvenue, Senior Investment Officer, and John Cole, Senior Portfolio Manager, presented the item. The presentation summarized the proposed updates to the Global Equity Program Policy, clarifying individual program details and incorporating relevant language from the Corporate Governance Program and Developmental Investment Fund policies. Thomas Toth with Wilshire Associates was available to answer questions from the Committee.

AGENDA ITEM 8b – POLICY & DELEGATION, Affiliate Funds Strategic Asset Allocation Proposed Policy Modifications

Eric Baggesen, Senior Investment Officer, presented the item. It was noted that the proposed changes, presented for initial review, reflect the changes to the strategic asset allocation targets per the recommendation in Item 6a, as well as additional items such as addressing tracking error limits within the policies, as appropriate.

AGENDA ITEM 9a – TOTAL FUND, CalPERS Consultant Public Fund Universe Comparison Report

Julia Bonafede and Andrew Junkin, with Wilshire Associates Consulting, presented the item. The presentation included an overview of CalPERS' performance and risk compared to a peer universe of U.S. public funds with more than \$10 million in asset value.

AGENDA ITEM 9b – TOTAL FUND, Monthly Update – Investment Compliance

Wylie Tollette, Chief Operating Investment Officer, presented the item. The presentation included an update on an agenda item previously reported to the Committee in March 2013. Carol Moody, Senior Portfolio Manager, responded to questions from the Committee.

AGENDA ITEM 11 – PUBLIC COMMENT

No public comment was received.

The meeting recessed at 3:56 p.m. pending adoption of the Affiliate Funds Strategic Asset Allocation by the Board of Administration. It was noted the Committee would adjourn upon adjournment of the Board of Administration meeting, on Wednesday, September 17, 2014.

The next Committee meeting is scheduled for October 13, 2014 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer