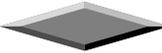


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT COMMITTEE**

**MINUTES OF MEETING
OPEN SESSION**

December 15, 2014



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

The meeting was called to order at approximately 10:15 a.m. and the following members were present:

Henry Jones, Chair
George Diehr, Vice Chair
Michael Bilbrey
John Chiang, represented by Terrence McGuire
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

Chairperson Jones took a moment of personal privilege to recognize Mr. Diehr and State Treasurer Lockyer for their service to the Committee.

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

Wylie Tollette, Chief Operating Investment Officer, noted that in the interest of time and the day's agenda, this item could be taken up later in the day if time allowed.

AGENDA ITEM 3 – CONSENT ITEMS

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

- a. Approval of the Meeting Minutes
- b. Report to the California Legislature – Iran and Sudan Divestment
- c. Real Estate Board Investment Consultant – Special Project Request

AGENDA ITEM 4 – CONSENT ITEMS

The Committee accepted the following information consent items:

- a. Annual Calendar Review
- b. Draft Agenda for the February 2015 Meeting
- c. Monthly Update – Performance and Risk

Item 4d, Monthly Update – Investment Compliance, was pulled from the consent calendar for discussion at the end of open session.

AGENDA ITEM 5a – TOTAL FUND, State Legislative Proposal: Elimination or Modification of Investment Reports to the Legislature; and Clarification of Procurement Requirements Applicable to Investment Contracts

Danny Brown, Division Chief, Office of Governmental Affairs, presented the item. The presentation outlined staff’s recommendation to sponsor legislation to make changes to government codes affecting the administration of the CalPERS investment program.

The Committee discussed the ongoing relevancy of the Northern Ireland and World War II Slave Labor reporting.

On **MOTION** by Ms. Mathur, to approve staff’s recommendation with respect to the four reports to the legislature to sponsor legislation to revise government code eliminating the Northern Ireland, World War II Slave Labor, and Housing report, and the modification of the quarterly investment report referenced in the agenda item, **SECONDED**. Mr. McGuire proposed a substitute motion, **SECONDED** and **CARRIED**, that separated the Northern Ireland and World War II Slave Labor reports from the other actions. Ms. Schell abstained. The motion passed.

On **MOTION** by Mr. McGuire, **SECONDED** and **CARRIED**, to direct staff to continue with the Northern Ireland and World War II Slave Labor reports. The Chair requested a roll call vote. The motion passed.

<u>YES</u>		<u>NO</u>	<u>ABSTAIN</u>
Michael Bilbrey	Dana Hollinger	Richard Costigan	Darlene Schell
Terrence McGuire	Henry Jones	JJ Jelincic	
George Diehr	Ron Lind	Priya Mathur	
Rob Feckner	Frank Moore	Bill Slaton	

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to eliminate the Real Estate report and modify the other investment performance report referenced in the agenda item. Ms. Schell abstained. The motion passed.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to approve staff's recommendation on changes to the investment contracting procedures and proceed with legislation. Mr. Jelincic, voted no. Ms. Schell and Mr. Costigan abstained. The motion passed.

AGENDA ITEM 6a – ASSET ALLOCATION, PERFORMANCE & RISK, Benchmarks Review

Eric Baggesen, Senior Investment Officer, and Jim Quinn, Portfolio Manager, presented the item. The presentation proposed a scope and timeline for a series of engagements with the Committee to explore the roles, uses, and implications of CalPERS' policy benchmarks.

AGENDA ITEM 6b – ASSET ALLOCATION, PERFORMANCE & RISK, Terminated Agency Pool Program Update

Eric Baggesen, Senior Investment Officer, Alan Milligan, Chief Actuary, and Cheryl Eason, Chief Financial Officer, presented the item. The presentation summarized key characteristics and performance information of the Terminated Agency Pool Program.

AGENDA ITEM 7a – POLICY & DELEGATION, Overview of Investment Office Delegation Resolutions for Professional Staff

Wylie Tollette, Chief Operating Investment Officer, presented the item summarizing delegation thresholds across Investment Office programs.

AGENDA ITEM 8a – BUSINESS PLAN/ROAD MAP, Investment Office Roadmap Update

Wylie Tollette, Chief Operating Investment Officer, presented the item. The item included key accomplishments and upcoming initiatives of the Investment Office Target Operating Model.

AGENDA ITEM 9a – PROGRAM REVIEWS, Responsible Contractor Program Annual Report

Laurie Weir, Senior Portfolio Manager, presented the item. Allan Emkin with Pension Consulting Alliance Inc., was available to answer questions from the Committee

Public comment in support of the Responsible Contractor Program (RCP) Policy was received from Michael Ring with SEIU.

AGENDA ITEM 9b – PROGRAM REVIEWS, Responsible Contractor Program Policy Review Update

Laurie Weir, Senior Portfolio Manager and Allan Emkin with Pension Consulting Alliance Inc., presented the item. The presentation included an overview of recommended revisions, and changes that were considered but not recommended, for the RCP Policy and Neutrality Trial RCP Policy.

Public comment in support of the CalPERS efforts related to the RCP Policy and the neutrality period was received from Michael Ring with SEIU.

AGENDA ITEM 9c – PROGRAM REVIEWS, Private Equity Annual Program Review

Réal Desrochers, Senior Investment Officer, and Senior Portfolio Managers Scott Jacobsen and Sarah Corr presented the item. The presentation included an overview of the Private Equity Program's characteristics, performance, structure, and key accomplishments. The integration of the Investment Beliefs into the Program was also discussed.

AGENDA ITEM 9d – PROGRAM REVIEWS, Consultant Review of the Private Equity Program

Michael Moy and Andrew Bratt, with Pension Consulting Alliance Inc., presented the item. The presentation included highlights of the Private Equity Program's performance and industry trends.

AGENDA ITEM 4d – ORGANIZATIONAL SYSTEMS & CONTROLS, Monthly Update – Investment Compliance

Curtis Ishii, Senior Investment Officer, and Wylie Tollette, Chief Operating Investment Officer, responded to questions from the Committee regarding policy violations noted in the item.

AGENDA ITEM 11 – PUBLIC COMMENT

Public comment was received from L.R. Roberts with CSR.

The Committee recessed for closed session.

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

Wylie Tollette, Chief Operating Investment Officer, presented the item. The Committee conducted interviews in alphabetical order as follows:

1. Meketa Investment Group
2. Wilshire Associates Incorporated (Wilshire Associates)

The firm with the highest cumulative score, Wilshire Associates, was selected as the Board's General Pension Investment Consultant.

On **MOTION** by Mr. Diehr, **SECONDED** and **CARRIED**, to award the contract to Wilshire Associates, and direct staff to begin negotiations with Wilshire Associates, and should negotiations be unsuccessful, begin negotiations with the next highest ranked finalist Meketa Investment Group. The motion passed.

The meeting adjourned at 5:21 p.m.

The next Committee meeting is scheduled for February 17, 2015 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer