



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

**MINUTES OF MEETING
OPEN SESSION**

December 14, 2015



The Investment Committee (Committee) met on December 14, 2015 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:00 a.m. and the following members were present:

Henry Jones, Chair
Bill Slaton, Vice Chair
Michael Bilbrey
John Chiang, also represented by Frank Moore
Richard Costigan
Rob Feckner
Richard Gillihan represented by Katie Hagan
Dana Hollinger
JJ Jelincic
Ron Lind
Priya Mathur
Theresa Taylor
Betty Yee, also represented by Lynn Paquin

AGENDA ITEM 2 – EXECUTIVE REPORT, Chief Investment Officer Briefing

Ted Eliopoulos, Chief Investment Officer (CIO) provided the CIO Briefing, including an introduction of the Real Assets Annual Review, discussing the complexity of this asset class, its historical role in the Total Fund, and plans for the future.

Ms. Mathur took a moment of personal privilege to note that CalPERS and Mr. Eliopoulos have been awarded the 2015 Asset Owner Award for Public Defined Benefit Plans above \$100 Billion by Chief Investment Officer Magazine.

AGENDA ITEM 3a – CONSENT ITEMS

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

- a. Approval of the November 16, 2015 Investment Committee Meeting Minutes

AGENDA ITEM 4 – CONSENT ITEMS

The Committee accepted the following information consent items:

- a. Annual Calendar Review
- b. Draft Agenda for the February 16, 2016 Committee Meeting
- c. Monthly Update – Performance and Risk
- d. Monthly Update – Investment Compliance
- e. Federal Investment Policy Representative Update

AGENDA ITEM 5 – Global Governance Policy Ad Hoc Subcommittee Report

Bill Slaton presented the meeting summary for the November 18, 2015 meeting of the Global Governance Policy Ad Hoc Subcommittee.

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

Wylie Tollette, Chief Operating Investment Officer (COIO) and Laurie Weir, Investment Director, presented the item. The report described progress made in the last fiscal year on implementation of the Emerging Manager Five-Year Plan, concentrating on portfolio management and external outreach. Staff responded to questions from committee members regarding selection criteria for emerging managers and offered comments about the diversity included in the program.

Public comment was received from Michael Ring of SEIU on the Emerging Manager program.

On **MOTION** by Ms. Taylor, **SECONDED** and **CARRIED**, to approve submission of the Emerging Manager Five-Year Plan annual report to the State Legislature. The item passed.

AGENDA ITEM 7a – Revision of Private Equity Program Policy – Second Reading

This item was presented by Wylie Tollette, COIO. The presentation highlighted changes made to the policy based on feedback from the Committee at the November 2015 meeting regarding defined benefit plans and fee disclosures.

On **MOTION** by Mr. Lind, **SECONDED** and **CARRIED**, to adopt the policy with the following changes –

- a. that redlined text under Strategic Objective be retained in the Policy
- b. that the blue-lined text under Specific Risk Parameters be retained in the Policy

On **MOTION** by Mr. Jelincic, to include language that we will not sign any new limited partnership agreement that does not require the general partner to disclose, as part of the agreement, any and all types of fees, carry, discount, rebates, and other forms of economic rent that the general partner and/or related partners may charge. The motion died for lack of a second. The item passed.

The Chair directed that staff to bring back to the Committee at the December 2016 Private Equity Program Review the liquidity issue and the recourse debt issue.

AGENDA ITEM 8a – Investment Office Roadmap Update

The item was presented by Wylie Tollette, COIO. The presentation included an update on the Investment Office strategic planning efforts including progress on the Investment Office 2020 Vision and the Investment Operating Model, formerly known as the Target Operating Model. Highlights of the 2015-17 Roadmap included quarter one accomplishments and key questions and considerations for the future.

Feedback and questions were received from committee members on the functionality of the Private Equity Accounting and Reporting System, the incorporation of ESG elements into the Roadmap, and next steps around the 20-year plan.

The Chair directed staff to develop and calendar a 20-Year Vision workshop.

AGENDA ITEM 9a – Real Assets Annual Program Review

This item was presented by Paul Mouchakkaa, Managing Investment Director (MID). Mr. Mouchakkaa was joined by Beth Richtman, Mike Inglett and Jim Hurley. The presentation focused on the three programs of Real Assets – Real Estate, Infrastructure and Forestland.

Staff responded to questions and comments from Committee members around the following:

- a. Expenses and fees compared to previous years
- b. Policy benchmarks
- c. The Emerging Manager Program
- d. Changes in valuation going forward
- e. Issues around global opportunities (foreign vs. domestic)
- f. The role of forestland in the portfolio

The Chair directed staff to provide a cost/fee breakdown of Forestland and Infrastructure to the Committee.

AGENDA ITEM 9b – Consultant Review of the Real Assets Program

David Glickman, Christy Fields, and Dillon Lorda of Pension Consulting Alliance, Andrew Junkin of Wilshire Associates Consulting, and David Altshuler of StepStone Group provided their respective Consultants reviews of the Private Equity Program's performance and industry trends.

AGENDA ITEM 9c – Responsible Contractor Policy Program Annual Update

This item was presented by Laurie Weir, Investment Director. The presentation provided the required update of the Real Asset program's compliance with the CalPERS Responsible Contractor Program for fiscal year 2014-15.

Public comment was received from Michael Ring of SEIU on the CalPERS Responsible Contractor Policy.

AGENDA ITEM 10a – Proposed Revision to the Real Assets Policy – First Reading

This item was presented by Wylie Tollette, COIO, Paul Mouchakkaa, MID, and Kit Crocker, Investment Director. It was noted that the proposed changes, presented for initial review, will align the Real Assets Policy with the other investment policies, where limits and constraints included in delegated authority are now incorporated into the policy.

AGENDA ITEM 11 – Summary of Committee Direction

The item was presented by Ted Eliopoulos, CIO, and summarized the Committee Chair-directed items.

AGENDA ITEM 12 – Public Comment

Public comment was received from Michael Ring of SEIU on risk management of the real estate portfolio.

The meeting adjourned at approximately 12:38 p.m.

The next Committee meeting is scheduled for February 16, 2016 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer