


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

**MINUTES OF MEETING
OPEN SESSION**

February 16, 2016



The Investment Committee (Committee) met on February 16, 2016 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 - Excused
John Chiang, represented by Frank Moore and Grant Boyken
Richard Costigan
Rob Feckner
Richard Gillihan represented by Katie Hagen
Dana Hollinger
JJ Jelincic
Ron Lind
Priya Mathur
Theresa Taylor
Betty Yee also represented by Lynn Paquin

AGENDA ITEM 2 – ELECTION OF THE INVESTMENT COMMITTEE CHAIR AND VICE CHAIR

Mr. Slaton opened the floor for nominations for the Chair of the Investment Committee. Mr. Lind nominated Mr. Jones to serve as Chair of the Investment Committee. No further nominations were made. On **MOTION** by Mr. Slaton, **SECONDED** and **CARRIED**, to elect Mr. Jones as Chair. The motion passed.

Mr. Jones opened the floor for nominations for the Vice Chair of the Investment Committee. Ms. Mathur nominated Mr. Slaton to serve as Vice Chair of the Investment Committee. No further nominations were made. On **MOTION** by Mr. Jones,

SECONDED and **CARRIED**, to elect Mr. Slaton as Vice Chair of the Investment Committee. The motion passed.

AGENDA ITEM 3 – EXECUTIVE REPORT, Chief Investment Officer Briefing

Ted Eliopoulos, Chief Investment Officer (CIO) provided the CIO Briefing, including reflections on the day's agenda and how select agenda items support CalPERS' Investment Beliefs.

AGENDA ITEM 4a – ACTION CONSENT ITEMS

On **MOTION** by Mr. Slaton, **SECONDED** and **CARRIED**, to approve the following action consent items with changes. The motion passed.

- a. Approval of the December 14, 2015 Investment Committee Meeting Minutes
- b. Report to the California Legislature – Holocaust Era and Northern Ireland

AGENDA ITEM 5 – INFORMATION CONSENT ITEMS

The Committee accepted the following information consent items:

- a. Annual Calendar Review
- b. Draft Agenda for the March 2016 Committee Meeting
- c. Monthly Update – Performance and Risk
- d. Monthly Update – Investment Compliance
- e. Federal Investment Policy Representative Update was moved to the end of the Open Session

AGENDA ITEM 6a – Global Governance Policy Ad Hoc Subcommittee Report

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

AGENDA ITEM 6b – Revision of the Global Governance Principles – First Reading

Item 6b was moved to the end of Investment Committee Open Session. The Chair congratulated Ted Eliopoulos and Anne Simpson for their leadership in the Global Governance Principles document. The Committee discussed a recent letter sent by Controller Yee and the Treasurer Chiang regarding suggested additions to the principles. Mr. Slaton addressed comments from the Committee.

AGENDA ITEM 7a – Revision of Investment Policy for Real Assets – Second Reading

Wylie Tollette, Chief Operating Investment Officer (COIO), Kit Crocker, Investment Director, and Paul Mouchakkaa, Managing Investment Director, presented the item. The proposal includes a new component of the Investment Policy for Real Assets.

On **MOTION** by Mr. Jelincic, **SECONDED** and **CARRIED**, to approve submission of the Revision of Investment Policy for Real Assets. The item passed.

AGENDA ITEM 8a – CalPERS Trust Level Review – Consultant Report

Andrew Junkin of Wilshire Associates Consulting, David Altshuler of StepStone Group LLC, and Michael Moy, Andrew Bratt, and Christy Fields of Pension Consulting Alliance provided a summary of economic changes regarding defined benefit plans, benchmarks, and fee disclosures.

AGENDA ITEM 8b – CalPERS Trust Level Review

Ted Eliopoulos, CIO, and staff provided a summary of economic views, market analysis, portfolio risk, and performance for the Total Fund. This agenda item supports the CalPERS Strategic Plan goal to improve-long-term pension and health benefit sustainability.

The presenters responded to questions from Committee members on private equity accounting, volatility and benchmarks.

AGENDA ITEM 8c – Asset Allocation Target Revisions for Funding Risk Mitigation Events

Eric Baggesen, Managing Investment Director, and Paul Zhang, Investment Manager, presented the item outlining the proposed changes to the CalPERS asset allocation targets to effectuate a reduction in expected investment returns contemplated in the funding Risk Mitigation Policy.

AGENDA ITEM 8d – Update on Borrowed Liquidity Approach

Eric Baggesen, Managing Investment Director, presented the item and answered various questions from the Committee as to how they will be notified of borrowed liquidity events if they occur mid-month. Staff plans to bring back additional information at a future meeting.

AGENDA ITEM 9a – Revision of Total Fund Investment Policy, including Divestment and Repeal of Legacy Policies – First Reading

Wylie Tollette, Chief Operating Investment Officer (COIO), and Kit Crocker, Investment Director presented the first reading of the Revision of Total Fund Investment Policy, including Divestment and Repeal of Legacy Policies. Staff responded to questions and comments from Committee members with a proposed second reading after action on the following:

- a. Using the terms will or shall where appropriate
- b. Making the language more clear
- c. Clarifying reimbursement of fees
- d. Using the terms price or value where appropriate and the basis point (bps)

AGENDA ITEM 9b – Revision of Affiliate Fund Policy Repeal of Legacy Policy – First Reading

The first reading of Revision of Affiliate Fund Policy Repeal of Legacy Policy was presented by Wylie Tollette, Chief Operating Investment Officer (COIO), and Kit Crocker, Investment Director. The presentation focused on the Total Fund Policy and “asset-class specific” program policies. Presenters responded to questions and comments from Committee members. Staff anticipates returning to the Committee in March 2016 for further consideration and action on the proposed policy revisions.

AGENDA ITEM 10a – Recommendation of Proxy Voting and 2016 Voting Plan

The Recommendation of Proxy Voting and 2016 Voting Plan, was presented by Anne Simpson, Investment Director, and Todd Mattley, Investment Officer III. The presentation included an update of the Program’s proxy voting activity for the last three quarters for the 2015 calendar year and the voting plan for 2016. The plan is focused on Global Governance principles and it reflects how proxy access has proven to be an effective tool for climate change and diversity.

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

Michael Ring of the SEIU provided public comment to thank the Committee, CIO, and staff for their excellent work.

The meeting adjourned at approximately 4:00 p.m.

The next Committee meeting is scheduled for March 14, 2016 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer