


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

**MINUTES OF MEETING
OPEN SESSION**

April 18, 2016



The Investment Committee (Committee) met on April 18, 2016 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:20 a.m. and the following members were present:

Henry Jones, Chair
Bill Slaton, Vice Chair
Michael Bilbrey
John Chiang, also 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 – 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 2a – Monthly Update – Performance and Risk

Ted Eliopoulos, CIO, Wylie Tollette, Chief Operating Investment Officer (COIO), and Eric Baggesen, Managing Investment Director (MID), reviewed the monthly Performance and Risk Report to highlight the recent volatility in the equity markets.

AGENDA ITEM 3a – Action Consent Items

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

- a. Approval of the March 14, 2016 Investment Committee Meeting Minutes

AGENDA ITEM 4 – Information Consent Items

The Committee accepted the following information consent items:

- a. Annual Calendar Review
- b. Draft Agenda for the May 16, 2016 Committee Meeting
- c. Monthly Update – Investment Compliance
- d. Federal Investment Policy Representative Update
- e. Terminated Agency Pool Rebalance

AGENDA ITEM 5a – Contracts Administration: Real Estate Board Investment Consultant – Selection of Finalists for Interview

Wylie Tollette, COIO, and Kit Crocker, Investment Director (ID), presented to the Committee the firms that were selected to move forward based on the criteria that were in the Request for Proposal and they responded to comments and questions from the Committee. The two firms considered for interview were Courtland Partners, Ltd. and Pension Consulting Alliance, LLC.

On **MOTION** by Mr. Jelincic, **SECONDED** and **CARRIED**, to approve the Contracts Administration: Real Estate Board Investment Consultant – Selection of Finalists for Interview. The motion passed.

AGENDA ITEM 6a – Health Care Fund Asset Allocation Review

Eric Baggesen, MID, and Dianne Sandoval, Investment Manager (IM), responded to comments and questions from the Committee.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to approve the Health Care Fund Asset Allocation Review. The motion passed.

AGENDA ITEM 7a – Real Assets Strategic Plan

Paul Mouchakkaa, MID, Beth Richtman, IM, and Mike Inglett, IM, presented the strategic plan for the entirety of real assets made up of the components of real estate, infrastructure and forestland. Staff was joined by Andrew Junkin, Wilshire Associates Consulting, David Altshuler, StepStone Group LLC, and Christy Fields and David Glickman, Pension Consulting Alliance and responded to questions and comments from the Committee.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to approve the Real Assets Strategic Plan. The motion passed.

AGENDA ITEM 8a – Revision of Total Fund Investment Policy and Repeal of Legacy Policies – Third Reading

Ted Eliopoulos, CIO, Wylie Tollette, COIO, and Kit Crocker, ID, presented highlights of the revisions to the third reading of the Revision of Total Fund Investment Policy, including Divestment and Repeal of Legacy Policies. Staff responded to comments and feedback from

Committee members and took public comments from Ms. Janet Cox, retiree and member of Fossil Free California.

On **MOTION** by Mr. Lind, **SECONDED** and **CARRIED** to approve and adopt the Revision of Total Fund Investment Policy and Repeal of Legacy Policies; the Committee voted electronically. The motion passed.

a. Approval of the Policy

	<u>YES</u>	<u>NO</u>
Bill Slaton	Ron Lind	JJ Jelincic
Priya Mathur	Michael Bilbrey	
Rob Feckner	Theresa Taylor	
Dana Hollinger	Richard Costigan	
Ralph Cobb	Katie Hagen for Gillihan	
Betty Yee	Grant Boyken for Chiang	

On **THE MOTION TO SUBSTITUTE** by Ms. Taylor, **SECONDED** and **CARRIED** to approve the Revision of Total Fund Investment Policy with changes to the global derivatives and counterparty risk section and revert back to the 2015 language for the Divestment section only; the Committee voted electronically. The motion passed.

b. Approval of the Policy with noted changes and reverting back to the 2015 language for the Divestment section only

	<u>YES</u>	<u>NO</u>
Bill Slaton	Ron Lind	
Priya Mathur	Michael Bilbrey	
Rob Feckner	Theresa Taylor	
Dana Hollinger	Richard Costigan	
Ralph Cobb	Katie Hagen for Gillihan	
Betty Yee	Grant Boyken for Chiang	
JJ Jelincic		

AGENDA ITEM 9a – Divestment Review – Proposed Timetable

Ted Eliopoulos, CIO, Wylie Tollette, COIO, and Kit Crocker, ID, presented three options for divestment to the Investment Committee. The Committee Chair requested an electronic roll call vote on the original motion. Staff received comments, answered questions from the Committee, and heard public comments from Jim Knox, American Cancer Society Advocacy, an affiliate of the American Cancer Society.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, for (1) taking up divestment from tobacco separately from other divestments in the portfolio; (2) stakeholder outreach including discussion, education, listening and exploration of a broad spectrum of viewpoints from all vantage points; (3) CalPERS will commission financial economic and risk analysis with respect to the long-term implications for our portfolio; (4) bringing back the divestment from tobacco item in 12 to 24 months with alternatives to remaining divested, including an engagement program and what activities CalPERS will undertake if we remain divested; the Committee voted on this electronically. The motion passed.

a. Approval of the review

<u>YES</u>		<u>No</u>	<u>Abstain</u>
Dana Hollinger	Betty Yee	JJ Jelincic	Katie Hagen for Gillihan
Ron Lind	Rob Feckner	Michael Bilbrey	
Priya Mathur	Bill Slaton	John Chiang	
Theresa Taylor		Richard Costigan	

On **THE MOTION TO SUBSTITUTE** by Grant Boyken, **SECONDED**, the substitute vote **FAILED** to take option three and to decide not reconsider tobacco reinvestment.

AGENDA ITEM 10a – Diversity & Inclusion: Evidence on Corporate Performance

Dr. Akosua Barthwell, the Barthwell Group CEO, and Juilia Dawson, Managing Director of Credit Suisse provided a presentation on diversity and its impact on business performance; they received comments and answered question from the Committee.

AGENDA ITEM 10b – Global Governance Strategic Review: Human Capital Focus

Ted Eliopoulos, CIO, Dan Bienvenue, MID, Anne Simpson, ID, and Laurie Weir, ID, provided a summary of CalPERS plans around climate change, human capital, alignment of interest, and working with partners. Ted Eliopoulos, CIO, responded to questions and feedback from the Committee. Public comments were also heard.

AGENDA ITEM 11 – Summary of Committee Direction

Ted Eliopoulos, CIO, presented this item and summarized that there were no Committee Chair-directed items. To avoid a potential conflict of interest under Government Code 87100, the Political Reform Act, Ted Eliopoulos, CIO, recused himself from Closed Session Item 4a.

AGENDA ITEM 12 – Public Comment

No additional comment was received.

The meeting adjourned at approximately 4:33 p.m.

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

ANNE STAUSBOLL
Chief Executive Officer