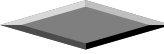



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT COMMITTEE**

**MINUTES OF MEETING
OPEN SESSION**

May 16, 2016



The Investment Committee (Committee) met on May 16, 2016 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:31 a.m. and the following members were present:

Henry Jones, Chair
Bill Slaton, Vice Chair
Michael Bilbrey
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, represented by Lynn Paquin

AGENDA ITEM 2 – Executive Report, Chief Investment Officer Briefing

In the interest of time, Ted Eliopoulos, Chief Investment Officer (CIO) deferred the CIO Briefing.

AGENDA ITEM 3a – Action Consent Items

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

- a. Approval of the April 18, 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 June 13, 2016 Committee Meeting
- c. Monthly Update – Performance and Risk
- d. Federal Investment Policy Representative Update

Agenda Item 4d, Monthly Update – Investment Compliance was pulled from consent and was discussed at the end of the meeting.

AGENDA ITEM 5a – Assembly Bill 2833 (Cooley) Public Retirement Alternative Investments Disclosure

Mary Anne Ashley, Division Chief of Legislative Affairs, Ted Eliopoulos, CIO, Wylie Tollette, Chief Operating Investment Officer (COIO), and Laurie Weir, Investment Director (ID), responded to questions from the Committee on Assembly Bill 2833 (Cooley) Public Retirement Alternative Investments Disclosure. Public comment was received by Michael Flaherman.

On **MOTION** by Mr. Lind, **SECONDED**, to support Assembly Bill 2833 (Cooley). Mr. Jelincic proposed a substitute **MOTION, SECONDED** and **CARRIED**, to express support with amendments for Assembly Bill 2833 (Cooley). An electronic roll-call vote was taken. The motion passed.

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

AGENDA ITEM 5b – House Resolution 4718 (Maloney-NY): Gender Diversity Advisory Group

Mary Anne Ashley, Division Chief of Legislative Affairs, Ted Eliopoulos, CIO, and Wylie Tollette, COIO, responded to comments and questions from the Committee on House Resolution 4718 (Maloney-NY): Gender Diversity Advisory Group.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to express support and to request an expanded definition of diversity of U.S. House Resolution 4718 (Maloney-NY): Gender Diversity Advisory Group. The Chair requested a roll-call vote. The motion passed. Ms. Hagen abstained.

AGENDA ITEM 6a – Divestment Review – Proposed Timetable

Ted Eliopoulos, CIO, and Matt Jacobs, General Counsel, responded to questions from the Committee on divestment and the Board procedures. The Committee heard public comments from Dr. Kevin Wehr, Professor at Sacramento State and Vice President for the California Faculty Association; Janet Cox of Fossil Free California; Eric Knapp, CalPERS retiree; Jim Knox of the American Cancer Society; and Sandy Emerson of Fossil Free California. The Chair acknowledged a letter from Dr. Ganz and UCSF.

On **MOTION** by Grant Boyken, **SECONDED**, and **CARRIED** to rescind the motion that was made in April and decide not to reconsider tobacco reinvestment. An electronic roll-call vote was taken. The motion failed.

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

The Committee Chair directed staff to shorten the time frame for the study on the Divestment Review – Proposed Timetable to six to nine months, and to include the tobacco holdings that are owned by our external managers as well as in the other asset classes within the scope of the Divestment Review.

AGENDA ITEM 7a – Investment Office Roadmap and Target Operating Model Update

Ted Eliopoulos, CIO, and Wylie Tollette, COIO, presented the strategic planning efforts within the Investment Office, including a recap of the five-year strategic plan known as the 2020 Vision; they discussed the current status of the target operating model and closed with highlights of the 2015-17 Roadmap accomplishments.

AGENDA ITEM 7b – Investment Office Cost Effectiveness

Wylie Tollette, COIO, presented highlights and recent trends in the Investment Office Cost Effectiveness Survey.

AGENDA ITEM 7c – CEM Benchmarking, Inc. Report on Investment Costs

Jody Macintosh and Dave Wilson of CEM Benchmarking, Inc. presented their cost effectiveness measurement benchmark service results in the CEM Benchmarking, Inc. Report on Investment Costs. They responded to comments and questions from the Committee and staff.

AGENDA ITEM 8a – Global Governance Strategic Review: Alignment of Interests

Ted Eliopoulos, CIO, Dan Bienvenue, Managing Investment Director (MID), and Anne Simpson, ID, provided a summary of CalPERS plans around climate change, human capital, alignment of interest, and working with partners. Staff responded to questions and feedback from the Committee.

AGENDA ITEM 8b – Proxy Voting Quarterly Update

Anne Simpson, ID, Dan Bienvenue, MID, and Matt Jacobs, General Counsel, presented the Proxy Voting Quarterly Update and responded to comments and questions from the Committee.

AGENDA ITEM 9a – Contracts Administration: Real Estate Board Investment Consultant – Interviews and Intent to Award

It was noted that this agenda item was noticed as time certain for 3:30 p.m., and was taken out of order. Wylie Tollette, COIO, and Kit Crocker, ID, presented the two candidates for Real Estate Board Investment Consultant Interviews to the Investment Committee. The Committee conducted interviews in alphabetical order as follows:

1. Courtland Partners Ltd.
2. Pension Consulting Alliance, LLC

On **MOTION** by Mr. Jelincic and **SECONDED** to award Courtland Partners 500 points and Pension Consulting Alliance 550 points for the interview process. There was a discussion on the motion.

On **SUBSTITUTE MOTION** by Mr. Moore, **SECONDED** and **CARRIED**, to award 500 points for the interview process to Courtland Partners, to award 650 points for the interview process and to select Pension Consulting Alliance as the candidate, if they agree to a 15 percent reduction in fees. The motion passed.

The Committee directed staff to begin negotiations with Pension Consulting Alliance, LLC, and should negotiations be unsuccessful, begin negotiations with Courtland Partners Ltd.

AGENDA ITEM 10 – Summary of Committee Direction

Ted Eliopoulos, CIO, presented this item and summarized that there were two Committee Chair-directed items. One was to shorten the time frame for the study on the Divestment Review – Proposed Timetable down to six to nine months and the other was to include the tobacco holdings that are invested in by our external managers, as well as in the other asset classes within the study for the Divestment Review.

AGENDA ITEM 11 – Public Comment

Jane Martin, SEIU representative, and Linda Delacruz, SEIU member, provided public comment on a labor dispute.

The meeting adjourned at approximately 5:14 p.m.

The next Committee meeting is scheduled for June 13, 2016 in Sacramento, California.

ANNE STAUSBOLL
Chief Executive Officer