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

## MINUTES OF MEETING OPEN SESSION

August 15, 2016

The Investment Committee (Committee) met on August 15, 2016 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:21 a.m. and the following members were present:

Henry Jones, Chair Bill Slaton, Vice Chair Michael Bilbrey John Chiang, represented by Frank Moore Richard Costigan Rob Feckner Richard Gillihan represented by Ralph Cobb Dana Hollinger JJ Jelincic Ron Lind Priya Mathur Betty Yee

The following members were excused: Theresa Taylor

#### 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, the framework for how CalPERS sets the rate of return and risks for the future, and the strategic priorities of the Asset Liability Management process.

#### AGENDA ITEM 3a – Action Consent Items

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

- a. Approval of the June 13, 2016 Investment Committee Meeting Minutes
- b. Approval of the May 16, 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 September 19, 2016 Committee Meeting
- c. Monthly Update Performance and Risk
- d. Monthly Update Investment Compliance
- e. Federal Investment Policy Representative Update
- f. Quarterly Proxy Voting Update

## AGENDA ITEM 5a – Adoption of Global Governance Strategic Plan

Ted Eliopoulos, CIO, Dan Bienvenue, Managing Investment Director (MID), and Anne Simpson, Investment Manager (IM), presented the final phase in developing CalPERS' new 5-year sustainable investment strategy on integrating environmental, social, and governance (ESG) priorities with associated key performance indicators, developed through an iterative process the Investment Committee launched January 2016. The Chair directed staff to return to the Committee with an item to discuss establishing an ESG subcommittee and hiring an ESG consultant in the near future.

Public comment was received from Janet Cox, Environmental Communications Consultant, on engagement.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to adopt the Global Governance Five-Year Strategy, with an amended timeline for key performance indicator (KPI) number six, reducing the time for 100% adoption of the Institutional Limited Partners Association reporting template from twenty years to ten. In addition, the manager expectations KPIs will be presented in 2016, and the other corporate engagement KPIs will be presented as they are developed. The Committee also acknowledged the resource request contained in the materials, with a request for the Finance and Administration Committee to consider the request for the mid-year Budget Revision. The Chair also directed staff to return to the Committee with an item to discuss establishing an ESG subcommittee and hiring an ESG consultant. The motion passed.

#### AGENDA ITEM 6a - Revision of Real Assets Policies - Second Reading

Ted Eliopoulos, CIO, Wylie Tollette, Chief Operating Investment Officer (COIO), and Paul Mouchakkaa, MID presented the revised Real Assets Program Investment Policy. The Board's Investment Consultants, Andrew Junkin, Wilshire Associate Consulting, David Altshuler, StepStone Group, and Christy Fields, Pension Consulting Alliance, also responded to questions from the Committee.

On **MOTION** by Ms. Mather, **SECONDED** and **CARRIED**, to adopt the Revision of Real Assets Policies. The motion passed.

## AGENDA ITEM 7a – CalPERS Trust Level Review

Ted Eliopoulos, CIO, Wylie Tollette, COIO, Eric Baggesen, MID, and John Rothfield, Investment Director (ID), presented the item. The presentation included commentary on the current market and global economic conditions as well as an overview of the investment performance and risk profiles of the Public Employees' Retirement Fund and the Affiliate Funds. The Committee received public comment from Susan Webber on the current market environment and CalPERS strategies.

The Committee recessed from 1:03 p.m. to 1:50 p.m.

The Committee heard commentary from Matt Jacobs, General Counsel, on public comment procedures.

### AGENDA ITEM 7b – CalPERS Trust Level Review – Consultant Report

Andrew Junkin, Wilshire Associate Consulting, presented the item.

#### AGENDA ITEM 8a – Investment Compliance Program Annual Review

Wylie Tollette, COIO, presented the item.

#### **ITEM 9 – Summary of Committee Direction**

Ted Eliopoulos, CIO, presented and summarized the Chair-directed items. The Chair directed staff to bring an ad hoc item for the Investment Committee to discuss governance sustainability with regard to the Global Governance Strategy.

#### AGENDA ITEM 10 – Public Comment

Michael Flaherman, Visiting Scholar at UC Berkeley, provided comments on the Board's public comment process.

The meeting adjourned at approximately 2:05 p.m.

The next Committee meeting is scheduled for September 19, 2016 in Sacramento, California.

DOUGLAS HOFFNER Interim Chief Executive Officer