


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

**MINUTES OF MEETING
OPEN SESSION**

December 19, 2016



The Investment Committee (Committee) met on December 19, 2016 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 10:55 a.m. and the following members were present:

Henry Jones, Chair
Bill Slaton, Vice Chair
Michael Bilbrey
John Chiang represented by Steve Juarez
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. Mr. Eliopoulos highlighted key items for the day's agenda, thoughts about divestment and the potential investment and economic implications for CalPERS.

AGENDA ITEM 2a – MONTHLY UPDATE – Performance and Risk

Ted Eliopoulos, CIO provided a summary on asset allocation, risk, and investment performance for the Public Employees' Retirement Fund and the Affiliate Investment Funds.

On **MOTION** by Mr Jelincic to release the September 2016 closed session transcript pages 4 through 47 and Item 4 with the attachments. No **SECOND** was made. The motion failed.

AGENDA ITEM 3 – ACTION CONSENT ITEMS

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

- a. Approval of the November 14, 2016 Investment Committee Meeting Minutes
- b. Report to the California Legislature - Iran and Sudan Divestment

AGENDA ITEM 4 – INFORMATION CONSENT ITEMS

The Committee accepted the following information consent items:

- a. Annual Calendar Review
- b. Draft Agenda for the February 13, 2017 Committee Meeting
- c. Monthly Update – Investment Compliance
- d. Federal Investment Policy Representative Update

AGENDA ITEM 5a – TOTAL FUND, Annual Report to the California Legislature – CalPERS Emerging Manager Five-Year Plan

Laurie Weir, Investment Director (ID), presented the item and responded to comments from the Committee. Staff recommended approval of the CalPERS Emerging Manager Five-Year Plan annual report for transmission to the California Legislature.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED**, to approve staff's recommendation.

AGENDA ITEM 5b – TOTAL FUND, Review of Tobacco Restrictions

Ted Eliopoulos, CIO, Wylie Tollette, Chief Operating Investment Officer (COIO), and Katherine Crocker, ID, presented the item and were available to answer questions from the Committee. The Committee discussed the investment performance and risk characteristics of tobacco-related securities over the course of the CalPERS investment restrictions, the long-term economic and regulatory risks impacting the tobacco industry, and financial implications for the Public Employees' Retirement Fund. Andrew Junkin and Steve Foresti with Wilshire Associates, Allan Emkin with Pension Consulting Alliance, and Professor Stanton Glantz with the University of California Center for Tobacco Control Research and Education answered questions from the Committee.

The Committee heard public comment in support of the CalPERS tobacco investment restrictions from Cynthia Hallett with the American Nonsmokers' Rights Foundation, Dennis Cuevas-Romero with the American Heart Association/ American Stroke Association, Pamela Ling with the Tobacco Education-Research Oversight, Jim Knox with the American Cancer Society Cancer Action Network, Lindsey Freitas with the American Lung Association in California, Kat DeBurgh with the Health Officers Association of California, Terry Brennan with the Service Employees International Union (SEIU), and Karen Guma.

On **MOTION** by Ms. Yee, **SECONDED** and **CARRIED**, that the tobacco investment restrictions be extended to the externally managed portfolios of publicly traded assets for the Public Employees' Retirement Fund and the Affiliate Funds. Additionally, the Committee directed staff,

in implementing the restrictions for the externally managed portfolios, to exercise prudence in determining the timing and method of such implementation. The motion passed by electronic vote.

a. Approval of the Review of Tobacco Restrictions

<u>YES</u>		<u>NO</u>	<u>ABSTAIN</u>
Michael Bilbrey	Ron Lind	Dana Hollinger	
Richard Costigan	Priya Mathur	JJ Jelincic	
Rob Feckner	Theresa Taylor	Bill Slaton	
Katie Hagen	Betty Yee		
Steve Juarez			

The Committee recessed from 12:57 p.m. to 2:00 p.m.

AGENDA ITEM 6a – PROGRAM REVIEWS, Responsible Contractor Policy Program Annual Report

Laurie Weir, ID, presented the item and responded to comments and questions from the Committee with Ted Eliopoulos, CIO, and Wylie Tollette, COIO.

Public comment was heard from Michael Ring, SEIU Capital Stewardship Program, and Kurt Scott, SEIU - United Healthcare Workers West, in support of the Responsible Contractor Policy, related to risk to CalPERS beneficiaries, and a legislative bill in regard to a labor issue. Joshua Golka, Legislative Affairs Manager with American Federation of State, County, & Municipal Employees also provided public comment on the application of the policy.

AGENDA ITEM 6b – PROGRAM REVIEWS, Investment Manager Engagement Programs Update

Laurie Weir, ID, and Diego Carrillo, Investment Manager (IM), presented the item and responded to questions from the Committee with Ted Eliopoulos, CIO, and Wylie Tollette, COIO.

Public comment was heard from Michael Ring, SEIU Capital Stewardship Program, thanking CalPERS for the report on emerging manager work, the 2020 Plan, and on ESG strategies.

AGENDA ITEM 6c – PROGRAM REVIEWS, Proxy Voting & Corporate Engagement Update

Dan Bienvenue, Managing Investment Director (MID), Anne Simpson, ID, and Simiso Nzima, IM, presented the item and responded to questions from the Committee.

AGENDA ITEM 6d – PROGRAM REVIEWS, Manager Expectations Pilot Update

Ted Eliopoulos, CIO, Wylie Tollette, COIO, Dan Bienvenue, MID, and Anne Simpson, ID, presented the item. They responded to questions from the Committee with Beth Richtman, IM.

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

Wylie Tollette, COIO, presented the item and responded to questions from the Committee with Ted Eliopoulos, CIO.

AGENDA ITEM 8 – SUMMARY OF COMMITTEE DIRECTION

Ted Eliopoulos, CIO, and Wylie Tollette, COIO, presented and summarized the Chair-directed items. The Chair directed Investment staff to convene with CalPERS General Counsel to determine what information and documentation can and should be disclosed publicly pertaining to the September 2016 Investment Committee Closed Session Item 4a at the next Investment Committee Meeting.

AGENDA ITEM 9 – PUBLIC COMMENT

Public comment was heard from Daniel White, Betty Forrester, and Xochil Johansen all with United Teachers Los Angeles and Alliance Educators United on a labor issue.

The meeting recessed at approximately 3:41 p.m.

The next Committee meeting is scheduled for February 13, 2017 in Sacramento, California.

MARCIE FROST
Chief Executive Officer