

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

**MINUTES OF MEETING
OPEN SESSION**

March 18, 2019

The Investment Committee (Committee) met on March 18, 2019 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:01 a.m. and the following members were present:

Bill Slaton, Chair
Rob Feckner, Vice Chair
Margaret Brown
Dana Hollinger
Henry Jones
Fiona Ma, also represented by Frank Ruffino
David Miller
Eraina Ortega, represented by Ralph Cobb
Jason Perez
Mona Pasquil Rogers
Ramon Rubalcava
Theresa Taylor
Betty Yee

AGENDA ITEM 1 – CALL TO ORDER AND ROLL CALL

Chair Slaton called the meeting to order and called upon Mr. Feckner to open the meeting with the Pledge of Allegiance. Chair Slaton also took a moment of personal privilege to express condolences to the people of New Zealand and the Netherlands for their losses in the recent tragedies, and to convey prayers and best wishes to those impacted in both countries.

AGENDA ITEM 2 – Approval of the March 18, 2019 Investment Committee Timed Agenda

Chair Slaton introduced the item to approve the timed agenda for purposes of time management of the meeting. The Chair directed that Agenda Item 7b, Assembly Bill 33 (Bonta) Private Prison Divestment, be presented after Agenda Item 9c, CalPERS Divestment Overview, at the end of the meeting.

On **MOTION** by Mr. Feckner, **SECONDED** by Ms. Hollinger, and **CARRIED**, to approve the Investment Committee Timed Agenda. The motion passed.

AGENDA ITEM 4 – EXECUTIVE REPORT, Chief Investment Officer Briefing

Ben Meng, Chief Investment Officer (CIO), provided the CIO Briefing on the summary for the day, along with the Total Fund performance, the funded status, and current position.

AGENDA ITEM 5 – ACTION CONSENT ITEM

On **MOTION** by Ms. Taylor, **SECONDED** by Mr. Miller, and **CARRIED**, to approve the following action consent items. The motion passed to accept the following action consent items:

- a. Approval of the February 19, 2018 Investment Committee Open Session Meeting Minutes

AGENDA ITEM 6 – INFORMATION CONSENT ITEMS

The Committee accepted the following information consent items:

- a. Annual Calendar Review
- b. Draft Agenda for the April 15, 2019 Investment Committee Meeting
- c. Monthly Update – Performance and Risk
- d. Monthly Update – Investment Compliance
- e. Terminated Agency Pool Rebalance

AGENDA ITEM 7a – LEGISLATIVE PROPOSALS, Assembly Bill 181 (Rodriguez) Emerging and Transition Investment Managers

Danny Brown, Legislative Affairs Division (LAD) Chief, presented the item to the Committee.

On **MOTION** by Mr. Jones, **SECONDED** by Ms. Taylor and **CARRIED**, to support staff's recommendation to support, if amended, position to remove the requirement that each system identify in its annual report the emerging managers terminated by the system. The motion passed.

Mr. Cobb and Ms. Pasquil Rogers **ABSTAINED**.

AGENDA ITEM 7b – LEGISLATIVE PROPOSALS, Assembly Bill 33 (Bonta) Private Prison Divestment

Danny Brown, LAD Chief, presented the item and responded to comments and questions from the Committee.

Public Comment was heard from J.J. Jelincic, Cathy Jeppson, Dillon Gibbons, California Special Districts Association, and Kevin Menager to oppose the bill and support the staff recommendation.

On **MOTION** by Ms. Taylor, **SECONDED** by Mr. Feckner, to take a neutral position. The motion failed. An electronic vote was taken with the following results:

<u>YES</u>	<u>NO</u>		<u>ABSTAIN</u>
Rob Feckner	Margaret Brown	Jason Perez	Ralph Cobb
David Miller	Dana Hollinger	Bill Slaton	Mona Pasquil Rogers
Ramon Rubalcava	Henry Jones	Betty Yee	Frank Ruffino
Teresa Taylor			

On **MOTION** by Ms. Brown, **SECONDED** by Mr. Perez and **CARRIED**, the motion passed to support staff's recommendation to oppose. An electronic vote was taken with the following results:

<u>YES</u>		<u>NO</u>	<u>ABSTAIN</u>
Margaret Brown	Jason Perez	Rob Feckner	Ralph Cobb
Dana Hollinger	Bill Slaton	David Miller	Mona Pasquil Rogers
Henry Jones	Betty Yee	Ramon Rubalcava	Frank Ruffino
		Teresa Taylor	

AGENDA ITEM 8a – TOTAL FUND, Summary of Private Equity Business Model

Ben Meng, CIO, Sarah Corr, Interim Managing Investment Director (MID), and John Cole, Investment Director (ID) presented the item and responded to comments and questions from the Committee.

Public Comment was heard in support for and against Pillars III and IV from J.J. Jelincic, Al Darby, President of the Retired Public Employees' Association of California (RPEA), David Soares, RPEA, Larry Woodson, California State Retirees (CSR), Ruben Ingram, School Employee Association of California, Dane Hutchings, League of California Cities, Leyne Milstein, City of Sacramento, Stephanie Hue, on behalf of Tim Barons, CSR President, Dillon Gibbons, California Special Districts Association, and Geoff Neill, California State Association of Counties.

On **MOTION** by Mr. Feckner, **SECONDED** by Ms. Taylor and **CARRIED**, to approve Pillars III and IV in concept, include Pillars III and IV in the update in the Private Equity strategic business model; develop the structure and guiding principles of Pillars III and IV to be in compliance with the Board's Investment Beliefs and policies; propose policy changes for the Committee's approval; seek to identify and negotiate with capable partners; manage expenditures within the existing INVO budget to develop Pillars III and IV; prepare, at a minimum, quarterly progress reports; supply a prudent person opinion prior to Committee approval of final implementation and funding plan. The motion passed.

An electronic vote was taken with the following results:

<u>YES</u>		<u>NO</u>	<u>ABSTAIN</u>
Ralph Cobb	David Miller	Margaret Brown	
Rob Feckner	Mona Pasquil Rogers	Jason Perez	
Dana Hollinger	Ramon Rubalcava	Betty Yee	
Henry Jones	Bill Slaton		
Fiona Ma	Teresa Taylor		

AGENDA ITEM 9a – TOTAL FUND, Sustainable Investments Update

Beth Richtman, MID, Divya Mankikar, Investment Manager, and Carrie Douglas-Fong, Assistant Investment Manager, presented the item and responded to comments and questions from the Committee.

Public Comment was heard on the decarbonization of the portfolio and on the transition to a low-carbon economy from Deborah Silvey, Fossil Free California & Retiree, Debora Hammond, Fossil Free California, Richard Godfrey, City of Fremont, Patrice Sutton, Physicians for Social Investment Responsibility, Dr. Robert Gould, Physicians for Social Investment Responsibility, Tina Devon Gallier, Fossil Free California, Robert Silvey, Fossil Free California, Sandy Emerson, Fossil Free California, Betsy Thagard, Fossil Free California, Sheila Thorne, Fossil Free CA, Christine Shewmaker, Fossil Free California, Lawrence E Wilson, Retiree, Martha Turner, Fossil Free California, Jane Scantlebury, Fossil Free CA, Shep Harper, Fossil Free CA, Sara Theiss, Fossil Free California, Dana Stokes, Fossil Free California, Lynne Nittler, Fossil Free CA, Karen Jacques, Fossil Free CA, Christine. Nelson, Retiree, and Dane Hutchings, League of California Cities, spoke on divestment and fiduciary duty regarding Agenda Item 7b, Assembly Bill 33 (Bonta) Private Prison Divestment.

The Committee recessed from 12:50 p.m. to 1:35 p.m.

AGENDA ITEM 9b – TOTAL FUND, Corporate Governance Update: Proxy Voting, Shareowner Campaigns and Corporate Engagement

Simiso Nzima, ID, presented the item and received no comments or questions from the Committee.

AGENDA ITEM 9c – TOTAL FUND, CalPERS Divestment Overview

Dan Bienvenue, Interim Chief Operating Investment Officer (COIO), presented the item and responded to comments and questions from the Committee. Kit Crocker, ID, and Steve Foresti, Wilshire Associates Incorporated were available to answer questions.

On **MOTION** by Mr. Perez, **SECONDED** by Ms. Brown to reconsider divestiture in tobacco. The motion failed. An electronic vote was taken with the following results:

<u>YES</u>	<u>NO</u>		<u>ABSTAIN</u>
Margaret Brown	Ralph Cobb	Ramon Rubalcava	
Jason Perez	Rob Feckner	Frank Ruffino	
Dana Hollinger	Henry Jones	Bill Slaton	
	David Miller	Teresa Taylor	
	Mona Pasquil Rogers	Betty Yee	

AGENDA ITEM 8 – SUMMARY OF COMMITTEE DIRECTION

Ben Meng, CIO, and Dan Bienvenue, Interim COIO, summarized that there were no Chair-directed items.

AGENDA ITEM 9 – PUBLIC COMMENT

No comments were received for this item.

The meeting adjourned at approximately 2:37 p.m.

The next Committee meeting is scheduled for April 15, 2019 in Sacramento, California.

MARCIE FROST
Chief Executive Officer

Prepared by: Natalie Bickford
Committee Secretary