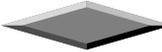


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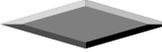


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
INVESTMENT COMMITTEE**

**MINUTES OF MEETING  
OPEN SESSION**

**December 18, 2017**

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The Investment Committee (Committee) met on December 18, 2017 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 9:02 a.m. and the following members were present:

Henry Jones, Chair  
Bill Slaton, Vice Chair  
Michael Bilbrey  
John Chiang, represented by Matthew Saha and Frank Moore  
Richard Costigan  
Rob Feckner  
Richard Gillihan  
Dana Hollinger  
J.J. Jelincic  
Ron Lind  
Priya Mathur  
Theresa Taylor  
Betty Yee

**AGENDA ITEM 2 – EXECUTIVE REPORT, Chief Investment Officer Briefing**

Ted Eliopoulos, Chief Investment Officer (CIO), presented the item. Chairperson Jones took a moment of personal privilege to recognize two departing Board Members Michael Bilbrey and J.J. Jelincic, along with the departure of Chief Operating Investment Officer, Wylie Tollette.

**AGENDA ITEM 3a – ACTION CONSENT ITEMS**

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

- a. Approval of the November 13, 2017 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 February 12, 2018 Investment Committee Meeting
- c. Monthly Update – Performance and Risk
- d. Monthly Update – Investment Compliance
- e. Legislation – Federal Investment Policy Representative Update

Agenda Items 4f, Report on Alternative Investments (AB 2833), and 4g, Report to the Legislature - California Divest from Iran Act and Sudan Act Compliance, was pulled from the consent package for discussion in open session.

### **AGENDA ITEM 5a – ASSET ALLOCATION, Selection of Strategic Asset Allocation for the Public Employees' Retirement Fund**

Ted Eliopoulos, CIO, Eric Baggesen, Managing Investment Director (MID), and Dianne Sandoval, Investment Manager (IM), presented the item summarizing the staff recommendation and responded to questions from the Committee.

On **MOTION** by Ms. Mathur, **SECONDED** by Mr. Slaton and **CARRIED**, with one no vote by Mr. Jelincic, to adopt the staff recommendation to Select Candidate Portfolio C for the Strategic Asset Allocation to recommend to the full CalPERS Board for Asset Liability Management adoption.

Mr. Jelincic offered a substitute motion to adopt Candidate Portfolio D but the motion failed for lack of a second.

Public Comment was heard from Dorothy Johnson, California State Association of Counties, Derick Lennox, Small School Districts Association, Dillon Gibbons, California Special Districts Association, Dr. Ruben Ingram, School Employers Association of California, and Dane Hutchings, League of California Cities, on support for the staff recommendation and on asset allocation.

### **AGENDA ITEM 6a – INVESTMENT MANAGER ENGAGEMENT PROGRAMS, Annual Report to the California Legislature – CalPERS Emerging Manager Five-Year Plan**

Clinton Stevenson, Investment Director (ID), and Diego Carrillo, IM, presented the item and responded to questions from the Committee with Wylie Tollette, Chief Operating Investment Officer (COIO).

Public Comment was heard from Michael Ring, Service Employees International Union – Capital Stewardship Program, for support of the Emerging Manager Program.

On **MOTION** by Mr. Jelincic, **SECONDED** by Ms. Mathur, and **CARRIED**, to approve Annual Report to the California Legislature – CalPERS Emerging Manager Five-Year Plan. The motion passed.

## **AGENDA ITEM 7a – TOTAL FUND, Consultant Review of CalPERS' Divestments**

Steve Foresti and Daniel Ingram, Wilshire Consulting presented the item and responded to questions with Ted Eliopoulos, CIO, Wylie Tollette, COIO, and Kit Crocker, ID. The presentation provided an update to the analysis provided at the February 2017 Committee Meeting.

Public comment was heard from Dr. Ruben Ingram, School Employers Association of California, Derick Lennox, Small School Districts Association, Dane Hutchings, League of California Cities, and Dillon Gibbons, California Special Districts Association, on the feedback regarding divestments.

## **AGENDA ITEM 7b – TOTAL FUND, Responsible Contractor Policy Program Annual Report**

Paul Mouchakkaa, MID, Anne Simpson, Investment Director, and Carrie Douglas-Fong, Associate Investment Manager, presented the item and responded to questions from the Committee.

Public Comment was heard from Michael Ring, Service Employees International Union – Capital Stewardship Program, for support of the Responsible Contractor Policy Program.

## **AGENDA ITEM 7c– TOTAL FUND, Investment Office Roadmap and Target Operating Model Update**

Ted Eliopoulos, CIO, and Wylie Tollette, COIO, presented the item and responded to comments and questions from the Committee. Matt Flynn, ID, also responded to questions from the Committee. The presentation provided an update on the Investment Office (INVO) business plan and related initiatives, including progress on the INVO Roadmap and the Target Operating Model as key components of the CalPERS Business Plan.

## **AGENDA ITEM 4f – INFORMATION CONSENT ITEMS – Report on Alternative Investments (AB 2833)**

Wylie Tollette, COIO, Sarah Corr, Interim MID, and Kit Crocker, ID, presented the item and responded to questions from the Committee.

## **AGENDA ITEM 4g – INFORMATION CONSENT ITEMS – Report to the Legislature - California Divest from Iran Act and Sudan Act Compliance**

Wylie Tollette, COIO, received comments from the Committee on this item.

## **AGENDA ITEM 8 – SUMMARY OF COMMITTEE DIRECTION**

Ted Eliopoulos, CIO, and Wylie Tollette, COIO, summarized the Chair-directed items. The Chair directed staff to add a closed session discussion regarding Emerging Managers, work with the CEO and Public Affairs to develop additional ways to present CalPERS efforts in the Emerging Manager and Responsible Contractor Policy Programs, and report back to the Committee a recommendation for the appropriate frequency of the CalPERS Diversity Forums.

## **AGENDA ITEM 9 – PUBLIC COMMENT**

No public comment was received for this item.

The meeting adjourned at approximately 12:34 p.m.

The next Committee meeting is scheduled for February 12, 2018 in Sacramento, California.

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MARCIE FROST  
Chief Executive Officer

Prepared by: NATALIE BICKFORD  
Committee Secretary