

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

**MINUTES OF MEETING
OPEN SESSION**

November 14, 2022

The Investment Committee (Committee) met on November 14, 2022, in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento California.

The meeting was called to order at 9:56 a.m. and the following members were present:

David Miller, Chair
Rob Feckner, Vice Chair
Fiona Ma, represented by Frank Ruffino
Lisa Middleton
Eraina Ortega
Jose Luis Pacheco
Ramon Rubalcava
Theresa Taylor
Mullissa Willette
Gail Willis
Betty Yee

AGENDA ITEM 2 – EXECUTIVE REPORT – CHIEF INVESTMENT OFFICER BRIEFING

Nicole Musicco, Chief Investment Officer (CIO), briefed the Committee on the day's agenda and current market events.

AGENDA ITEM 3 – ACTION CONSENT ITEMS

On **MOTION** by Rob Feckner, **SECONDED** by Jose Luis Pacheco, and **CARRIED**, to approve the following items:

- a. Approval of the November 14, 2022, Investment Committee Timed Agenda
- b. Approval of the September 19, 2022, Investment Committee Open Session Meeting Minutes

AGENDA ITEM 4 – INFORMATION CONSENT ITEMS

The Committee accepted the following information consent items with no additional discussion:

- a. Annual Calendar Review
- b. Draft Agenda for the March 13, 2023, Investment Committee Meeting
- c. Quarterly Update – Performance and Risk

- d. Quarterly Update – Investment Controls
- e. Disclosure of Placement Agent Fees and Material Violations
- f. Report on Alternative Investments (AB 2833) Fee Disclosure (Government Code Section 7514.7)
- g. Report to the California Legislature: Iran
- h. Report to the California Legislature: Northern Ireland
- i. CalPERS for California Report

AGENDA ITEM 5a – REVISIONS TO THE TOTAL FUND POLICIES – PRIVATE ASSET CLASSES – SECOND READING

Amy Deming, Investment Director (ID), presented the proposed revisions to the Total Fund Investment Policy resulting from the Asset Liability Management adoptions at the 2021 November Investment Committee meeting. In November 2021, the Board approved a new Strategic Asset Allocation (SAA), which included increased allocations to Private Equity and Real Assets and the inclusion of Private Debt. The proposed revisions to the policy will support the Committee's adopted return rate and SAA, as well as strengthen and facilitate the Fund's governance and accountability to achieve the CalPERS goals and objectives.

On **MOTION** by Jose Luis Pacheco, **SECONDED** by Theresa Taylor, and **CARRIED**, to approve the proposed revisions to the Total Fund Policies – Private Asset Classes – Second Reading.

AGENDA ITEM 5b – ASSEMBLY BILL 890: DIVERSITY IN THE MANAGEMENT OF INVESTMENTS 2021-22 FISCAL YEAR REPORT

James Andrus, Interim Managing Investment Director (MID), presented to the Committee the Diversity in the Management of Investments Report mandated by Assembly Bill (AB) 890. This report will be submitted to the California State Legislature. AB 890 is intended to ensure transparency and promote the inclusion of women and minority owned managers in the asset management industry.

On **MOTION** by Jose Luis Pacheco, **SECONDED** by Theresa Taylor, and **CARRIED**, to approve the Assembly Bill 890: Diversity in the Management of Investments 2021-22 Fiscal Year Report.

AGENDA ITEM 6a – CALPERS' RESPONSE TO THE TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD) AND SENATE BILL 964

James Andrus, Interim MID, Travis Antoniono, Investment Manager (IM), presented CalPERS' response to the recommendations of the TCFD and California Senate Bill 964. This report explains the "climate-related financial risk of its public market portfolio, including the alignment of the fund with the Paris Agreement and California climate policy goals, and the exposure of the fund to long term risks."

The Committee heard public comment on this item from:

- Sheila Thorne, Fossil Free California,
- Sara Theiss, Fossil Free California,
- Doug Thompson, CalPERS Member,
- Greg Campfire, CalPERS Member and,
- Vivian Price, CalPERS Member.

At 12:23 p.m. the Committee recessed into lunch. The Committee reconvened into Open Session at 1:16 p.m.

AGENDA ITEM 6b – CONSULTANT REVIEW OF CALPERS DIVESTMENTS

Steve Foresti, Wilshire Advisors, presented a comprehensive review of CalPERS divestments by the Board's general pension consultant on an annual basis required by the CalPERS' Total Fund Investment Policy. This report provided an updated financial analysis of CalPERS' divestments and takes into consideration the '5-year affirmation' process for active CalPERS divestments.

AGENDA ITEM 6c – LIQUIDITY MANAGEMENT

Irene Rodriguez (IM), and Michael Krimm (ID), presented an overview of CalPERS' liquidity management framework. This included a review of the goals and evolution of the framework and the liquidity available across current assets.

AGENDA ITEM 6d – RESPONSIBLE CONTRACTOR POLICY

Tamara Sells, Associate Investment Manager (AIM), provided the required annual update on the Real Assets program's compliance with CalPERS' Responsible Contractor Program Policy (RCP). For Fiscal Year 2021-22, 100% of qualifying contract payments were made under the Policy to certify responsible contractors. Managers reported that implementing the Policy did not have an adverse material impact on CalPERS' investment returns.

The Committee heard public comment on this item from:

- Michael Ring, Service Employees International Union and,
- Jennifer O'Dell, Laborers International Union of North America.

AGENDA ITEM 6e – SUMMARY OF COMMITTEE DIRECTION

The Chair directed staff to:

- Provide a report from each asset class on how the team is incorporating Diversity, Equity, and Inclusion (DEI) lens in manager selection,
- Provide broader context on the performance, fees, and fiduciary duty either in the report or in the cover letter of the report on AB 890 going to the legislature,
- Provide periodic reports on how the team navigates the climate transition and,

- Consider updating RCP Policy as part of the 2023 work plan, including applying it to Private Equity.

AGENDA ITEM 6f – PUBLIC COMMENT

The Committee heard public comment from:

- Tim Behrens, California State Retirees, on bringing private equity back in-house and,
- Al Darby, Retired Public Employees Association, on issues and solutions to climate change that CalPERS might assist in bringing forward.

At this time, the Committee convened into Closed Session and reconvened at 2:20 p.m.

The meeting adjourned at 4:35 p.m.

The next Committee meeting is scheduled for March 13, 2023, in Sacramento, California.

MARCIE FROST
Chief Executive Officer

Prepared by: Laura Manzo
Committee Secretary