

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

**MINUTES OF MEETING
OPEN SESSION**

June 10, 2024

The Investment Committee (Committee) met on June 10, 2024, in the Lincoln Plaza North Building, Feckner Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at 8:54 a.m. and the following members were present:

- David Miller, Chairperson
- Theresa Taylor, Vice Chairperson
- Malia Cohen, also represented by Deborah Gallegos
- Fiona Ma, represented by Frank Ruffino
- Lisa Middleton
- Eraina Ortega
- Jose Luis Pacheco
- Kevin Palkki
- Ramón Rubalcava
- Yvonne Walker (Remote)
- Mullissa Willette

Gail Willis was excused.

AGENDA ITEM 2 – EXECUTIVE REPORT

Marcie Frost, Chief Executive Officer (CEO), took a point of personal privilege to announce the start date of the new Chief Investment Officer, Stephen Gilmore and to congratulate Jean Hsu, Managing Investment Director (MID), Private Debt, on her retirement.

Ms. Frost, then briefed the Committee on the day’s agenda, current markets, and personnel changes.

AGENDA ITEM 3 – ACTION CONSENT ITEMS

On **MOTION** by Ms. Taylor, **SECONDED** by Mr. Pacheco, to approve the following items:

- a. Approval of the June 10, 2024, Investment Committee Timed Agenda
- b. Approval of the March 18, 2024, Investment Committee Open Session Meeting Minutes

A roll call vote was taken:

<u>YES</u>		<u>NO</u>	<u>ABSTAIN</u>
Theresa Taylor	Jose Luis Pacheco		
Malia Cohen	Kevin Palkki		
Frank Ruffino	Ramon Rubalcava		

<u>YES</u>		<u>NO</u>	<u>ABSTAIN</u>
Nicole Griffith	Yvonne Walker		
Lisa Middleton	Mullissa Willette		

Final vote was 10 Yes, 0 No, 0 Abstain. The motion **CARRIED**.

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 September 16, 2024, Investment Committee Meeting
- c. Quarterly Update – Affiliates Performance and Risk
- d. Quarterly Update – Investment Controls
- e. Disclosure of Placement Agent Fees and Material Violations

AGENDA ITEM 5a – TRUST–LEVEL REVIEW, INTERIM QUARTER

Michael Krimm, Investment Director (ID), and Lauren Rosborough Watt, Investment Manager (IM), presented the Trust–Level Review, Interim Quarter. This agenda item provided an update on economic conditions and commentary on performance and risk positioning across CalPERS funds.

At this time, Ms. Middleton joined the meeting remotely.

AGENDA ITEM 5b – PRIVATE EQUITY ANNUAL PROGRAM REVIEW

Anton Orlich, MID, presented the Private Equity Annual Program Review. This agenda item provided a program overview, market environment update, portfolio performance and risk analysis, and key initiatives of the asset class.

The Committee heard public comment on this item from:

- J.J. Jelincic, Beneficiary,
- Frank Ruiz, Beneficiary, and
- Mark Swabey, Beneficiary.

At 10:30 a.m. the Committee recessed into a break. The Committee reconvened into Open Session at 10:46 a.m.

The Committee heard public comment on Agenda Item 5a from:

- Jovana Fajardo, Alliance of Californians for Community Empowerment,
- Kristin Lopez, Alliance of Californians for Community Empowerment,
- Terry Brennand, Service Employees International Union California,
- Erika Aritonang, American Federation of State, County and Municipal Employees Local 3299,
- Natisha Booker, American Federation of State, County and Municipal Employees Local 3299,
- Jakob Evans, Sierra Club California,
- Jessye Waxman, Sierra Club, and
- Jason Opeña Disterhoft, Majority Action.

AGENDA ITEM 5c – PRIVATE DEBT ANNUAL PROGRAM REVIEW

Jean Hsu, MID, presented the Private Debt Annual Program Review. This agenda item provided an update on strategy, positioning, performance, key initiatives, and the current market environment of the asset class.

AGENDA ITEM 5d – REAL ASSETS ANNUAL PROGRAM REVIEW

Sarah Corr, MID, presented the Real Assets Annual Program Review. This agenda item provided a program overview, market environment, portfolio performance and risk, and key initiatives of the asset class.

AGENDA ITEM 5e – IMPLEMENTATION OF LABOR PRINCIPLES

Peter Cashion, MID, and Tamara Sells, Associate Investment Manager (AIM), presented the Implementation of Labor Principles. This agenda item provided an update on progress to date, highlighted the attestation portal, attestation status for current managers, and implementation for new allocations. It also provided updates on methods for accountability and the team went through the phases if a potential Labor Principles violation is identified. The CalPERS Team will provide regular updates to the CalPERS Board as part of the CalPERS Sustainable Investments 2030 Strategy progress update in the November Investment Committee meetings.

The Committee heard public comment on this item from:

- Susan Minato, Unite Here Local 11,
- Jordan Fein, Unite Here Local 11,
- Rachel Sulkes, Unite Here Local 11,
- Ronald Bermudez, Unite Here Local 11,
- Maria Brambila, Unite Here Local 11,
- Valeria Alvarez, United Food and Commercial Workers,
- Jered Gaby-Biegel, United Food and Commercial Workers,
- Valentina Dabos, Private Equity Stakeholder Project,
- Andres Oliveira, Service Employees International Union Local 521,
- Yvette Simon, Service Employees International Union Local 521, and
- Maria Rodriguez, United Food and Commercial Workers.

At 1:31 p.m. the Committee recessed into lunch. The Committee reconvened into Open Session at 2:16 p.m.

AGENDA ITEM 6a – ASSET LIABILITY MANAGEMENT MID-CYCLE REVIEW: AFFILIATE FUNDS

Christine Reese, ID, presented the Asset Liability Management (ALM) Mid-Cycle Review: Affiliates Funds. This agenda item presented the results of the ALM Mid-Cycle Review for the Health Care Fund, Legislatures' Retirement Fund, Judges' Retirement System Fund, Judges' Retirement System Fund II, California Employers' Retiree Benefit Trust Fund, and the California Employers' Pension Prefunding Trust Fund. The Candidate Portfolio for each affiliate trust has been designed with the same methods used for the Public Employees' Retirement Fund and in alignment with CalPERS objective of minimizing costs. For each portfolio, both current and candidates, this item includes information about asset allocation, projected risk, and projected return.

The recommendations for this item are to adopt the Capital Market Assumption for the Affiliate Funds, approve the recommended portfolio for each Affiliate Fund as the Policy Portfolio, and approve the Health Care Fund Liquidity Benchmark, as recommended by Wilshire.

The Committee heard public comment on this item from:

- J.J. Jelincic, Beneficiary.
- John Dalrymple, Rising Sun,
- Dareon Chambers, Rising Sun, and
- Jaycel, Rising Sun.

On **MOTION** by Mr. Pacheco, **SECONDED** by Ms. Taylor, to approve the Asset Liability Management Mid-Cycle Review: Affiliate Funds.

A roll call vote was taken:

<u>YES</u>		<u>NO</u>	<u>ABSTAIN</u>
Theresa Taylor	Jose Luis Pacheco		
Deborah Gallegos	Kevin Palkki		
Frank Ruffino	Ramon Rubalcava		
Lisa Middleton	Yvonne Walker		
Nicole Griffith	Mullissa Willette		

Final vote was 10 Yes, 0 No, 0 Abstain. The motion **CARRIED**.

AGENDA ITEM 6b – TOTAL FUND POLICY REVIEW – SECOND READING

Amy Deming, ID, presented the Total Fund Policy Review – Second Reading. This agenda item sought approval for the proposed revisions to the Total Fund Investment Policy, as part of the annual policy review. Feedback was incorporated to define Private Debt strategies and merge the updates to policy-related documents.

The proposed changes are to adjust risk classifications in the Real Assets program, modify Private Debt strategy classifications and ranges, and define Private Debt strategies.

On **MOTION** by Mr. Rubalcava, **SECONDED** by Mr. Pacheco, to approve the Total Fund Policy Review – Second Reading.

A roll call vote was taken:

<u>YES</u>		<u>NO</u>	<u>ABSTAIN</u>
Theresa Taylor	Jose Luis Pacheco		
Malia Cohen	Kevin Palkki		
Frank Ruffino	Ramon Rubalcava		
Nicole Griffith	Yvonne Walker		
Lisa Middleton	Mullissa Willette		

Final vote was 10 Yes, 0 No, 0 Abstain. The motion **CARRIED**.

AGENDA ITEM 6c – POLICY CHANGES FOR RESPONSIBLE CONTRACTOR POLICY – SECOND READING

Ms. Corr, MID, and Ms. Sells, AIM, presented the Policy Changes for Responsible Contractor Policy (RCP) – Second Reading. This agenda item sought approval regarding the proposed revisions to the CalPERS’ RCP Policy.

The recommendation of proposed Policy Revisions included expanded language in the certification of Responsible Contractor Status to include debarments when a contractor certifies regulatory status, added CalPERS Labor Principles language and link, added neutrality to the definitions section of the Policy, added reference to “commingled funds and indirect investments” in the voluntary compliance section, and remove reference to Addendum B a neutrality trail program that ended in 2017.

The Committee postponed approval of the Policy Changes for Responsible Contractor Policy – Second Reading until a later date.

The Committee heard public comment on this item from:

- Jennifer O’Dell, Laborers International Union of North America,
- Michael Angulo, Worker Power Institute,
- David Huerta, Service Employees International Union, United Service Workers West,
- Jeremy Smith, State Building and Construction Trades Council of California,
- Michael Mark, Sheet Metal Workers Local 104,
- Chris Houtson, International Brotherhood of Electrical Workers,
- Evan Marrufo, International Brotherhood of Electrical Workers Local 952,
- Erik Estrada,
- Nick Weathers, Helmets to Hard Hats,
- Manuel Pinero, Monterey Santa Cruz Building Trades Council,
- Anne Marie Otey, Los Angeles and Orange Counties Building and Construction Trades Council,
- Jeffery Bree, Ironworkers Local 433, and
- James Thuerwatchter, California State Council for Laborers.

AGENDA ITEM 7a – SUMMARY OF COMMITTEE DIRECTION

The Committee directed staff to:

- Create a reporting system that will regularly update the Board on stakeholder engagements regarding Labor Principles, and
- Work with the Investment Committee Chair and Vice Chair to develop a 3rd reading of the Responsible Contractor Policy.

AGENDA ITEM 7b – PUBLIC COMMENT

The Committee heard public comment from the following:

- Jessa Rego, State Scientist,
- Jonathon Weissman, CalPERS Member, and
- Anne Hillborn, State Scientist.

The Committee convened into Closed Session at 4:11 p.m. and reconvened at 6:42 p.m.

The meeting adjourned at 6:42 p.m.

The next Committee meeting is scheduled for September 16, 2024, in Sacramento, California.

MARCIE FROST
Chief Executive Officer

Prepared by: Laura Manzo
Committee Secretary