Guidelines for Delegating Investment Authority

Introduction and purpose

The CalPERS Board of Administration has adopted a Statement of Governance Principles, which addresses the role of the Board with respect to delegations.

The guidelines set forth below are to be used by the Board, the Investment Committee, the Policy Subcommittee, the Chief Executive Officer, and other pertinent staff in making investment-related delegations and sub-delegations. They are designed to provide guidance and consistency in granting authority.

It is staff's responsibility to ensure that delegations are set forth in a consistent, user-friendly format. All delegations shall include the information required by the Statement of Governance Principles and, in addition, shall include the requirements for reporting on actions taken pursuant to the delegation.

Guidelines

The following guidelines should be followed in granting investment delegations:

Factor	Guideline
Authority	Authority should be delegated in a manner that: • Is consistent with the chain of command for decision making; and • Permits officials to make decisions they are in suitable positions to make.
Consistency	For management purposes, consistency is desirable within and across asset classes, but should not override other circumstances and considerations unique to the specific authority being delegated.
Investment limits	***Percentages*** – It is preferable to express investment limits as a percentage of a portfolio/program as the percentage will allow consistency in application as the size of the portfolio increases or decreases. ***Dollar Limits*** – In some cases dollar limits may be more appropriate, e.g., when the program is a pilot or start-up program. When percentages of a portfolio/program are used, corresponding dollar amounts based on the current size of the existing portfolio/program should be noted.

Continued on next page

Guidelines
(continued)

Factor	Guideline
Performance and value at risk	Performance at risk and value at risk may be useful considerations in determining and evaluating the level of delegations.
Controls	Delegations should take into account the existence of appropriate controls, including e.g., compliance, the involvement of a third party or other fiduciary, or other checks and balances.
Cross asset class issues	Consideration should be given to issues and considerations that cross asset classes, e.g., a delegation could provide for consultation with staff in another asset class.
Other factors to consider	Delegations may also take into account and may vary based upon factors including, but not limited to, the following: • Sensitivity or high visibility of decision/action; • Whether the portfolio/program is passively or actively managed; • Maturity of the portfolio/program; or • The need for flexibility to take advantage of investment opportunities.