



## Agenda Item 3b

March 18, 2013

**ITEM NAME:** Revision of Global Fixed Income Delegation Resolution for Professional Staff

**PROGRAM:** Global Fixed Income

**ITEM TYPE:** Policy & Delegation – Consent Action

### **RECOMMENDATION**

Approve staff's recommendation to revise the Global Fixed Income Delegation Resolution for Professional Staff (Delegation No. 11-02-INV) to allow the Senior Investment Officer (SIO) of Global Fixed Income (GFI) the authority to execute and manage the Terminated Agency Pool (TAP) Program.

### **EXECUTIVE SUMMARY**

The current GFI delegation resolution does not define or provide the authority to manage the newly approved TAP Program. The revised delegation resolution will authorize the Global Fixed Income staff to manage the TAP Program. Additionally, section E on page three of Attachment 1 has been updated to remove an outdated reference to the Inflation-Linked Asset Class Delegation.

### **STRATEGIC PLAN**

This agenda item supports the CalPERS Strategic Plan goal to improve long-term pension and health benefit sustainability. Revising the Global Fixed Income delegation resolution to incorporate the TAP Program will support efforts to ensure the TAP Program is managed in accordance with the approved investment policy.

### **BACKGROUND**

In December 2012 the Investment Committee (IC) approved an investment strategy and adopted the TAP Statement of Investment Policy. The investment policy identifies the TAP as being comprised of two independent segments: the immunization segment and the surplus segment.

- The immunization segment would consist of U.S. Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS), U.S. Treasury Inflation Protected Securities (TIPS) and cash or cash equivalents.
- The surplus segment would be invested with the Public Employees' Retirement Fund (PERF).

The new delegation resolution authorizes GFI to manage the first segment: the immunized portfolio of U.S. Treasury securities and cash.

**ANALYSIS**

The current GFI delegation resolution does not encompass the TAP Policy. GFI staff has expertise in the securities envisioned in the TAP Program through GFI's internal management of CalPERS' Domestic Fixed Income Portfolio. Since the TAP Program is new, GFI requires delegation from the Investment Committee to manage the program. Updating the GFI delegation resolution will mitigate potential investment and operational risks by documenting GFI staffs' authority to act on behalf of the TAP Policy.

**BENEFITS/RISKS**

Adopting the revised GFI Delegation Resolution for Professional Staff will ensure staff has adequate and appropriate authority to manage the TAP Program and will ultimately support CalPERS investment objectives. Staff cannot identify any risks associated with adopting the revised delegation as the revision enhances and clarifies staffs authority relative to the TAP Program and Policy.

**ATTACHMENTS**

Attachment 1 – Revised Global Fixed Income Delegation Resolution for Professional Staff

Attachment 2 – Wilshire Associates' Opinion Letter

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