



## Consent

### Agenda Item 3b

April 15, 2013

**ITEM NAME:** Adoption of the Public Employees' Health Care Fund Policy

**PROGRAM:** Affiliate Investment Programs

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

#### **RECOMMENDATION**

Approve the revised "Statement of Investment Policy for Public Employees' Health Care Fund (HCF)" as shown in Attachment 1, the Wilshire Associates' opinion letter is provided as Attachment 2.

#### **EXECUTIVE SUMMARY**

The HCF Policy was presented to the Investment Committee for initial review on March 18, 2013.

The revised HCF Policy includes the following changes based on feedback from the initial review by the Investment Committee:

- The addition of an asset allocation review process at least once every three years to ensure due diligence and monitoring for the HCF.

Changes made to the HCF Policy based on the Investment Committee's feedback are denoted with yellow highlighting within Attachment 1.

Staff seeks approval of the HCF Policy to establish a unique policy for the Public Employees' Health Care Fund consistent with policies for the other Affiliate Funds.

#### **STRATEGIC PLAN**

This agenda item supports the CalPERS Strategic Plan to improve long-term pension and health benefit sustainability. The HCF Policy clarifies the Trust fund's purpose, investment objectives, responsibilities, investment approach and parameters.

#### **BACKGROUND**

The attached HCF Policy specifies an asset allocation strategy analysis to be completed at least once every three years. This is consistent with the asset allocation policies of the other Affiliate Funds and clarifies the required timeframe for re-evaluation of the policy.

The proposed HCF Policy improves transparency and alignment with the other Affiliate Funds, which have specific investment policies.

### **ANALYSIS**

All CalPERS affiliate trust funds have trust level investment policies. These policies provide transparency into the purpose of the respective trusts along with their investment objectives, approaches and parameters unique to each trust, except for the HCF. Examples of these policies include the Statement of Investment Policy for the Long-Term Care Fund, the Judges' Retirement System II (JRS II) Fund, and the Supplemental Income Plans. For the day-to-day management of the underlying investment portfolios, the Affiliate Funds also are governed by asset class policies if managed internally, or have external investment manager contracts and guidelines if managed externally.

The proposed Statement of Investment Policy for the Public Employees' Health Care Fund (Attachment 1) establishes a trust level policy for the HCF.

### **BENEFITS/RISKS**

The adoption of a defined trust level investment policy for the HCF will increase transparency to the purpose of the trust, its approach and program parameters. Failure to adopt a clear unique policy for the HCF would represent a missed opportunity to mitigate operational and investment risk.

Staff has not identified any risks associated with the adoption of the HCF Policy at this time.

### **ATTACHMENTS**

- Attachment 1 – Revised Statement of Investment Policy for the Public Employees' Health Care Fund
- Attachment 2 – Wilshire Associates' Opinion Letter

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