



Consent

Agenda Item 3b

August 19, 2013

ITEM NAME: Revision of the Affiliate Investment Programs Delegation Resolution for Professional Staff

PROGRAM: Affiliate Investment Programs

ITEM TYPE: Policy & Delegation – Action Consent

RECOMMENDATION

Approve the revised Affiliate Investment Programs (AIP) Delegation Resolution for Professional Staff (Delegation No. 07-04-INV [Rev]) as shown in Attachment 1. The Wilshire Associates Opinion Letter is provided as Attachment 2.

EXECUTIVE SUMMARY

The revised delegation adds the authority for the Affiliate Investment Programs to manage and administer the Public Employees' Health Care Fund (HCF) and the Judges' Retirement Fund (JRF). The revised delegation will align the HCF Policy and proposed policy for the JRF.

The JRF policy is being presented to the Investment Committee for initial review on August 19, 2013.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan to cultivate a high-performing, risk-intelligent and innovative organization. Maintaining current and accurate delegated authority documentation is a key mitigation for investment and operational risk.

BACKGROUND

The Investment Office has managed the HCF in accordance with the Statement of Investment Policy for Barclays Aggregate Program since its inception in 1997. The JRF is invested in the Short-Term Investment Fund managed by State Street Global Advisors under the State Street Bank and Trust custody contract.

On March 18, 2013, staff proposed a unique policy to the Investment Committee to improve transparency and alignment of the HCF with the other Affiliate Funds which have specific investment policies. The Investment Committee adopted the unique HCF Policy on April 15, 2013.

ANALYSIS

Most CalPERS Affiliate Funds have trust-level investment policies with JRF being an exception. Staff has determined it is prudent to adopt investment policies for these trusts to provide consistency and transparency with the other Affiliate Funds. The other Affiliate Funds with policies are:

- Judges' Retirement System II Fund (JRS II)
- Legislators' Retirement System Fund (LRS)
- Long-Term Care Fund (LTC)
- Public Employees' Health Care Fund (HCF)
- California Employers' Retiree Benefit Trust Fund (CERBT)
- Supplemental Income Plans

These policies provide transparency into the purpose of the respective trusts along with their investment objectives, approaches, and parameters unique to each trust.

In addition, the revised delegation resolution clearly identifies the roles and responsibilities for authorized staff to administer and manage AIP funds.

BUDGET AND FISCAL IMPACTS

Not Applicable

BENEFITS/RISKS

The adoption of the revised Affiliate Investment Programs Resolution for Professional Staff reflects AIP's authority to administer and manage the HCF and JRF and identifies appropriate responsible staff. Staff has not identified any new risks associated with the revision of the AIP delegation. Failure to update delegation documentation to include all AIP funds, policies, and responsibilities for authorized staff could result in additional operational and investment risks.

ATTACHMENTS

Attachment 1 – Revised Affiliate Funds Delegation Resolution for Professional Staff
Attachment 2 – Wilshire Associates Opinion Letter

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