



## Agenda Item 7b

October 14, 2013

**ITEM NAME:** Proposed Revision of the Global Equity Program Policy – Initial Review

**PROGRAM:** Global Equity

**ITEM TYPE:** Policy & Delegation – Information

### **EXECUTIVE SUMMARY**

Revisions to the Global Equity Statement of Investment Policy are required to clarify individual program details. The revisions include administrative functions, which were deleted, and clarification of terminology after the Global Equity and strategy-specific policies were repealed last year.

Staff is presenting the Statement of Investment Policy for Global Equity (Attachment 1) for initial review. After the second review and approval of the new policy, affected sections of the Benchmark Policy will be updated through the administrative change process. The Wilshire Associates Opinion Letter, responding to the proposed revised policy, is provided as Attachment 2.

### **STRATEGIC PLAN**

This agenda item supports the CalPERS Strategic Plan to improve long-term pension and health benefit sustainability. The review of the revised Global Equity Program Policy will ensure that CalPERS is able to effectively achieve the System's investment objectives through clear and current investment policy documentation.

### **BACKGROUND**

In December 2012, the Investment Committee approved a single, simplified Global Equity policy while repealing nine program/strategy policies related to external and internal investment management. The goal of the simplified policy was to focus on the total Global Equity portfolio strategy rather than on the individual underlying programs.

### **ANALYSIS**

Incorporating these revisions will improve transparency while clarifying the total Global Equity program goals. Specifically, the revised policy:

- Clarifies that staff will contract with external managers and will transition emerging managers into direct, standard contracts using the exemption from competitive bidding process

- Reinforces that each individual's strategy guideline defines limits and objectives, deleting forecast tracking error limits for individual strategies and focusing the policy on the total Global Equity portfolio
- Aligns language to reflect the new Investment Beliefs such as referring to "sustainability" rather than "ESG"
- Clarifies that when directed by the Board, assets will be divested and benchmarks adjusted except when CalPERS does not have discretionary control of the assets such as in commingled funds and exchange traded funds.

#### **BUDGET AND FISCAL IMPACTS**

Not Applicable

#### **BENEFITS AND RISKS**

Approving the requested policy changes will enhance transparency into investment processes and strategy. The risks of not approving this policy include lack of clarity and direction to staff as they invest the Global Equity portfolio, thereby increasing the risks of missed opportunities and ambiguous implementation affecting emerging managers and divestment activities.

#### **ATTACHMENTS**

Attachment 1 – Revised Global Equity Statement of Investment Policy

Attachment 2 – Consultant Opinion Letter – Proposed Changes to the Global Equity Policy

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