



Agenda Item 9e

October 14, 2013

ITEM NAME: Consultant Review of Focus List Program Performance

PROGRAM: Global Governance

ITEM TYPE: Program Review – Informational

EXECUTIVE SUMMARY

This item is Wilshire Associates' review of CalPERS Focus List Program performance. Wilshire Associates' analysis is provided as Attachment 1.

STRATEGIC PLAN

This item supports the CalPERS Strategic Plan goal to improve long-term pension and health benefit sustainability. Providing in-depth program reviews supports the Investment Committee (IC) in evaluating investment strategies which aim to improve the risk-return profile of the CalPERS Total Fund.

BACKGROUND

The CalPERS Focus List Program dates back to 1987. While the selection methodology has evolved over time, the objective of the Focus List Program throughout has been to engage underperforming companies from CalPERS domestic equity holdings to improve their governance practices and thus drive positive long-term economic returns. Selection of companies for the Focus List is derived from the top 1000 CalPERS domestic public equity holdings.

ANALYSIS

Historical Performance – The Wilshire Associates' findings continue to demonstrate strong evidence of excess returns, and returns potential, from the Focus List Program. The data show that for the five years after the "initiative date," the average for all engaged companies since 1999 produced:

- Excess cumulative returns of 13.72% above the Russell 1000 Index, and
- 12.11% above their respective Russell 1000 sector indices.

2012 Focus List Performance (monetized) – Since inception on August 31, 2012, through Fiscal Year-end June 30, 2013, the 2012 Focus List posted strong returns. Wilshire reports that during this period, the 2012 Focus List Fund generated excess returns of 7.71% relative to the Russell 1000 and 10.42% relative to the Wilshire 5000 sector groups.

BUDGET AND FISCAL IMPACTS

Not Applicable

ATTACHMENTS

Attachment 1 – Wilshire Associates' Analysis of Focus List Program Performance

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