



## Agenda Item 8a

September 15, 2014

**ITEM NAME:** Proposed Revision of Global Equity Policy and Incorporation of the Corporate Governance Program and Developmental Investment Fund Policies – Initial Review

**PROGRAM:** Global Equity

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

### **EXECUTIVE SUMMARY**

Revisions to the Global Equity Statement of Investment Policy are required to update and clarify individual program details, and incorporate the Corporate Governance Program and the Developmental Investment Fund Policies that are being repealed.

Staff is presenting the Statement of Investment Policy for Global Equity (Attachment 1), Corporate Governance Program (Attachment 2) and Developmental Investment Fund (Attachment 3) for initial review. After the second review and approval of the revised policies, affected sections of the Benchmark Policy will be updated through the administrative change process. The Wilshire Associates' Opinion Letter, responding to the proposed revised policies, is provided as Attachment 4.

### **STRATEGIC PLAN**

This agenda item supports the CalPERS Strategic Plan to improve long-term pension and health benefit sustainability. The review of the revised policies 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 continue the policy simplification process while consolidating the total Global Equity program goals focusing on the total portfolio rather than programs.

Specifically, the revised policies:

- Repeals the Developmental Investment Fund Policy and incorporates staff responsibilities of “developing” investment strategies into the Global Equity Policy.
- Repeals the Corporate Governance Program Policy and incorporates Global Principles of Accountable Corporate Governance into the Global Equity Policy.
- Clarifies that when directed by the Board to divest, the policy benchmark will be adjusted.
- Clarifies the definition and limits on leverage.
- Adds and clarifies the Global Equity strategy selection and allocation governance process incorporating the Global Equity Investment Review Committee and Capital Allocation Committee.

#### **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.

#### **ATTACHMENTS**

Attachment 1 – Revised Global Equity Statement of Investment Policy

Attachment 2 – Repealed Statement of Investment Policy for Corporate Governance Program

Attachment 3 – Repealed Statement of Investment Policy for Developmental Investment Fund

Attachment 4 – Consultant Opinion Letter – Proposed Changes to the Global Equity Policy

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