



## Agenda Item 7a

December 15, 2014

**ITEM NAME:** Overview of Investment Office Delegation Resolutions for Professional Staff

**PROGRAM:** Total Fund Program

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

### **EXECUTIVE SUMMARY**

The purpose of this item is to provide the Investment Committee (Committee) with a table to illustrate investment delegation thresholds to be used for cross Program comparison purposes. The table was prepared in response to a July 2014 request from the Committee Chair. There are no changes proposed to any Committee investment delegation thresholds within this agenda item.

### **STRATEGIC PLAN**

This agenda item supports the CalPERS Strategic Plan to improve long-term pension and health benefit sustainability. The overview is intended to ensure that CalPERS is able to effectively achieve the System's investment objectives by providing clear and consistent investment decision making authority to staff.

### **BACKGROUND**

The Board Governance Policy as well as Investment Beliefs 9 and 10 are explicit that strong governance framed by clear and specific processes designed to mitigate risk are essential to the success of the System. Committee investment delegations provide formal documentation to convey who has authority to make investment decisions and what types of decisions can be made.

### **ANALYSIS**

The Delegation Summary Table (Summary Table) provided as Attachment 1 is a compilation of all investment delegations thresholds.

The Summary Table is the culmination of a multi-step analysis in which each Committee investment delegation was analyzed to identify applicable limits regarding staff investment decision making authority. The following Program and Strategy investment delegations were reviewed and analyzed.

- **Asset Allocation**
- **Absolute Return Strategies** (Required through completion of wind down)
- **Global Equity**
- **Global Fixed Income** (Including Inflation Assets and Liquidity)
- **Opportunistic**

- **Private Equity**
- **Real Assets** (Real Estate, Infrastructure, and Forestland)

The individual investment delegation tables were merged within one spreadsheet to aid in comparing authorities across Programs. A review of the Summary Table will illustrate that delegated authority varies across Programs and that the delegations interact with related Investment Policies (policies) to create the control and authority framework for INVO. As a result, staff made the determination that a simultaneous presentation of both the investment delegations and the related policy was necessary to fully describe the current limitations and authorities.

### **BUDGET AND FISCAL IMPACTS**

Not Applicable.

### **BENEFITS/RISKS**

Staff recommends a comprehensive review and refinement of Committee investment delegations subsequent to completion of the Investment Policy Revision Project discussed at the November 2014 Committee meeting. The timing of the Investment Policy Revision Project and interdependencies related to Committee investment delegations provide a good opportunity to coordinate alignment of authorities across Programs and ensure clarity.

Specific benefits associated with a comprehensive review of investment delegations are:

- Consistency and completeness of investment delegations.
- Reduction of operational risk by development of clear metrics and operational risk management processes/governance.
- More effective management of changes, compliance monitoring, and testing.

Specific risks associated with the recommendations are:

- Current investment delegations are procedural lacking consistency and clarity across Programs elevating operational risk concerns.
- The complexity and varied structure of current Program investment delegations poses challenges from an administrative, tracking, and testing perspective.

### **ATTACHMENTS**

Attachment 1 – Investment Delegation Summary Table

---

CAROL MOODY  
Senior Portfolio Manager  
Investment Compliance & Operational Risk

---

WYLIE TOLLETTE  
Chief Operating Investment Officer