

## **PROPOSED GENERAL AND INVESTMENT LEGISLATIVE AND POLICY ENGAGEMENT GUIDELINES**

**These Legislative and Policy Engagement Guidelines express the CalPERS Board of Administration's general policy to guide staff and designated contracted representatives formulating responses to legislative and regulatory proposals. They in no way bind the Board when considering and adopting a position on any specific proposal.**

### **GENERAL GUIDELINES**

- 1) Support proposals that add protection to the Trusts.
- 2) Support proposals that give the Board increased flexibility in its administration or reduce administrative costs.
- 3) Support proposals that correct structural deficiencies, prevent fraud, or abuse.
- 4) Support proposals that promote transparency and accountability for the System or entities that conduct business with the System, provided those proposals do not jeopardize the System's ability to conduct business.
- 5) Support proposals that enhance ethics and integrity in System governance.
- 6) Support proposals that enhance the fiduciary authority of the Board and oppose proposals that impede or infringe on the Board's fiduciary authority.
- 7) Oppose proposals that deprive members of vested benefits and do not provide an equivalent, compensating benefit.
- 8) Oppose proposals that endanger the tax-exempt status of the Trusts, or the deferred treatment of income tax on employer contributions and related earnings.
- 9) Oppose proposals that create unreasonable cost or complexity for the administration of the System.
- 10) Oppose proposals that reduce or limit the Board's administrative or actuarial authority.
- 11) Respect the distinction of issues that are subject to collective bargaining and refrain from taking a position.

## **INVESTMENT GUIDELINES**

### **INVESTOR INDEPENDENCE**

- 1) Support proposals that preserve and enhance both the independent fiduciary authority of institutional investors as well as the investment authority of plan trustees to act for the exclusive benefit of plan participants and beneficiaries.
- 2) Oppose proposals that impose investment mandates or restrictions as well as proposals that direct investment options and decision-making.
- 3) To not oppose federal investment restrictions, provided that any restrictions be imposed consistently among all U.S. investors, in the event that the federal government determines that an investment is not in the national interest of the United States of America.

### **CORPORATE ACCOUNTABILITY**

- 1) Support proposals that enhance shareowner rights and protections, encourage corporate accountability and promote the goals and objectives embodied within CalPERS' Investment Beliefs and Global Governance Principles, including, but not limited to, proposals that:
  - a. Promote the effective management of financial, physical and human capital to create long-term value.
  - b. Promote the transparency of operating, financial, and governance information about companies.
  - c. Promote high quality global accounting standards, integration of relevant ESG performance factors, and rigorous independent audit.
  - d. Promote the effective management, evaluation and mitigation of risk.
  - e. Provide shareowners with an effective mechanism to ensure executive compensation programs align management with the long-term economic interests of shareowners.
  - f. Promote strong human capital practices, including fair labor practices, responsible contracting, workplace and board diversity, and healthy and safe working conditions.

### **FINANCIAL MARKETS**

- 1) Support proposals that foster fair, orderly and effectively regulated capital markets and promote the goals and objectives embodied within CalPERS' Investment Beliefs and Global Governance Principles, including, but not limited to, proposals that:

- a. Promote earlier identification of issues that give rise to overall market risks and foster action that mitigates those risks.
  - b. Promote full disclosure so that markets provide incentives that price risk and opportunity.
  - c. Foster alignment of interests and protect investor rights and the independence of regulators.
- 2) Support proposals that promote the goals and objectives embodied within the Dodd-Frank Wall Street Reform and Consumer Protection Act.

### **SUSTAINABILITY**

- 1) Support proposals that foster a strong and durable global economy, create long-term, sustainable value and promote the goals and objectives embodied within CalPERS' Investment Beliefs, Global Governance Principles and the Global Investor Statement on Climate Change, including, but not limited to, proposals that:
  - a. Encourage capital deployment at scale to finance the transition to a low carbon economy and encourage investment in climate change adaptation.
  - b. Provide stable, reliable and economically meaningful carbon pricing that helps redirect investment commensurate with the scale of the climate change challenge.
  - c. Phase out subsidies for fossil fuels.
- 2) Support proposals that foster a healthy and diverse California economy with strong companies, solid infrastructure for commerce, robust business development, fair labor practices and employment.
- 3) Support proposals that promote the cultivation of the next generation of external portfolio management talent consistent with the CalPERS Emerging Manager Five-Year Plan.

### **DIVERSITY**

- 1) Support proposals that recognize diversity and inclusion as an important business issue that enhances competitiveness and innovation.
- 2) Support proposals that encourage corporate boards to establish and disclose a diverse mix of director attributes, experiences, perspectives and skill sets that are most appropriate for effectively overseeing management's execution of the company's long-term business strategy.