



Agenda Item 5a

March 16, 2015

ITEM NAME: Review of Investment Committee Delegation

PROGRAM: Administration

ITEM TYPE: Committee Governance – Action

RECOMMENDATION

Staff recommends that the Investment Committee (Committee) delegation remain in place unaltered for Board consideration and approval at the April Board meeting.

EXECUTIVE SUMMARY

The Board of Administration Governance Policy (Governance Policy) requires an annual review of the Board delegation to the Committee. The Chair and senior investment staff reviewed the Committee delegation to determine if any modifications were needed and no recommended changes are proposed.

Staff has initiated an investment delegation revision project in order to align all staff investment delegations with the current reporting structure to the Chief Executive Officer. This is not anticipated to impact the authorities contained within the current Committee delegation.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk-intelligent and innovative organization. Conducting periodic reviews of delegation documentation supports the Committee in maintaining current and accurate governance documents.

INVESTMENT BELIEFS

This agenda item supports CalPERS Investment Belief 10: Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives. Conducting periodic reviews of delegation documentation improves governance and clarifies authority and process between the Committee and staff.

BACKGROUND

In 2011, Funston Advisory Services was commissioned by the Board to examine significant areas of Board oversight, governance practices, accountability and decision-making. The purpose of the review was to enhance the effectiveness of the Board.

In September 2011, a final report was presented to the Board which offered many recommendations that were subsequently included in the Governance Policy, including a provision that Committee delegations be reviewed annually. Board committee delegations were subsequently updated and approved in December 2011.

In April 2014, an annual review of the Committee Delegation was completed and the Board approved six changes.

	Language added to delegation in 2014 to clarify Committee authorities:
1	Approve investment policies and oversee compliance with investment policies
2	Conduct strategic asset allocation, set the target rate of return, and select the asset allocation mix for each fund
3	Approve total fund and asset class policy benchmarks
4	Approve and oversee asset class strategic plans and portfolio construction guidelines
5	Set the criteria and triggers for information that comes to the Committee for review, as well as approve performance metrics to be reported to the Committee
6	Approve investment related regulations

ANALYSIS

During the recent Policy Revision Project and development of the new Total Fund Investment Policy (Policy) staff aligned the language within the proposed Policy to correspond with Committee authorities. In reviewing the current 18 elements included in the Committee's delegation, staff did not identify any gaps that would require modification of any authorities.

If the Committee concurs that its current delegation provides the proper investment authorities necessary to carry out its fiduciary obligations, staff will bring the delegation to the Board for review and approval at the April 2015 meeting.

BUDGET AND FISCAL IMPACTS

Not applicable.

BENEFITS/RISKS

Conducting a periodic review of the Committee delegation is consistent with good governance principles and mitigates operational and reputational risks. While no changes are proposed at this time, this continued annual review and alignment of delegation and Investment Policy documents will reduce the risk of improper management of the portfolio within the appropriate delegated authority.

ATTACHMENTS

Attachment 1 – Board of Administration Delegation Resolution No. IC-14-01

Attachment 2 – Consultant Opinion Letter

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