



Agenda Item 6d

March 16, 2015

ITEM NAME: Legislative and Policy Engagement Guidelines for Investments

PROGRAM: Legislation

ITEM TYPE: Action

RECOMMENDATION

Staff recommends the Investment Committee approve one of the following:

- 1) The General Guidelines and Investment Guidelines in Version A of the Proposed CalPERS Legislative and Policy Engagement Guidelines as contained in Attachment 1 and repeal the corresponding legacy legislative guidelines, or
- 2) The General Guidelines and Investment Guidelines in Version B of the Proposed CalPERS Legislative and Policy Engagement Guidelines as contained in Attachment 2 and repeal the corresponding legacy legislative guidelines.

EXECUTIVE SUMMARY

This is the second reading in this Committee for the proposed General and Investment Legislative and Policy Engagement Guidelines. They have been revised to reflect the Committee's discussion and suggested changes during its February meeting. In addition, the Pension and Health Benefits Committee will conduct a second reading of the proposed General, Pension, and Health Legislative and Policy Engagement Guidelines at its March meeting.

Both versions of the proposed CalPERS Legislative and Policy Engagement Guidelines consolidate into one document the various policy standards, priorities, and initiatives for state and federal legislation and regulation (Attachments 3-8) previously adopted by the Board of Administration (Board). Both versions also reflect important elements of Board approved Beliefs, Principles, Policies, Priorities, and Initiatives. The major difference between Version A and Version B pertains to section (II)(D)(1) under Sustainability. Version A includes guidelines based on the Global Investor Statement on Climate Change onto which CalPERS is a signatory. Version B carries forward the Energy and Environment language from the 2007-08 Federal Legislative and Regulatory Investment Policy Guidelines.

The proposed guidelines have been developed, and are designed to summarize CalPERS' perspectives on various policy issues that impact the long-term sustainability and effectiveness of its programs. They are intended to improve the ability of staff and contracted representatives to identify, monitor, and engage on

policy issues of importance to the Board, and help ensure consistent promotion of CalPERS' positions to state and federal policymakers. In no way do these guidelines bind the Board in any way when determining its view on various policy proposals.

Staff seeks approval of the General Guidelines and Investment Guidelines to achieve and facilitate the CalPERS Strategic Plan goals and objectives.

STRATEGIC PLAN

This item supports the CalPERS 2012-17 Strategic Plan Goal C to engage in state and national policy development to enhance the long-term sustainability and effectiveness of our programs. The Guidelines will assist in guiding public policy engagement by the System and communicating its perspective on pension, health, and financial markets.

INVESTMENT BELIEFS

This agenda item supports CalPERS' Investment Belief 10 that strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives.

BACKGROUND

The purpose of the Board's existing Legislative Policy Standards is to provide staff a framework within which they can work on legislation and regulations with a level of comfort that they are acting consistent with the desires of the Board. Legislative activity frequently does not mesh with the Board's meeting schedule, so it is important for staff to have a clear notion of the Board's basic views so that they can respond timely and appropriately as events unfold. The Legislative Policy Standards also provide guidance to staff in preparing legislative agenda items so that they are consistent with the views of the Board.

The existing CalPERS Legislative Policy Standards were originally adopted in 1996. They were slightly modified in 1998 and again in 2001. Comparable Initiative Policy Standards were adopted by the Board in 1997. The Board adopted Federal Legislative and Regulatory Investment Guidelines in 2007.

ANALYSIS

Purpose of Proposed Guidelines

The proposed guidelines allow the Legislative Affairs Division and the CalPERS federal representatives responsible for investment, retirement, and health issues to respond to requests to write letters or testify on legislative or regulatory issues in a timely fashion, and without having to bring each request before the Board. They will also assist staff and our federal representatives to determine which legislative and regulatory issues need to be tracked and monitored, along with the necessary direction to engage when necessary. The Investment Committee and Investment Office staff has articulated a three-pronged public agenda for improved regulatory effectiveness of derivatives, housing finance, and credit rating agencies that will be actively pursued.

The proposed engagement guidelines for investment-related legislative and regulatory activities are reflective of the Committee's previous deliberations and approvals of investment-related beliefs, principles, and initiatives, including the CalPERS Investment Beliefs, CalPERS Global Governance Principles, Emerging Manager Five-Year Plan, and CalPERS for California Report, as well as existing Board legislative and investment policy standards, guidelines and initiatives. The proposed guidelines are grouped into subject areas of Investor Independence, Corporate Accountability, Financial Markets, Sustainability, and Diversity.

Their adoption by the Board will also serve to eliminate the current: 1) Legislative Policy Standards; 2) State Ballot Initiative Policy Standards; 3) the 2009-10 Health Policy Priorities for State Legislation; 4) CalPERS Federal Health Care Policy Initiatives; 5) 2007-08 Federal Legislative and Regulatory Investment Policy Guidelines; and 6) Federal Legislative and Regulatory Policy Guidelines for Retirement Security.

BUDGET AND FISCAL IMPACTS

Not Applicable

BENEFITS/RISKS

The Legislative and Policy Engagement Guidelines will assist the Board to perform its constitutional mandate, fulfill its mission, and achieve consistency in its policies. Periodically reviewing and updating its policy standards and guidelines reduces the risks to meeting these goals.

ATTACHMENTS

Attachment 1 – Version A: Proposed CalPERS Legislative and Policy Engagement Guidelines

Attachment 2 – Version B: Proposed CalPERS Legislative and Policy Engagement Guidelines

Attachment 3 – CalPERS Legislative Policy Standards

Attachment 4 – CalPERS State Ballot Initiative Policy Standards

Attachment 5 – 2009-10 Health Policy Priorities for State Legislation

Attachment 6 – CalPERS Federal Health Care Policy Initiatives

Attachment 7 – 2007-08 Federal Legislative and Regulatory Investment Policy Guidelines

Attachment 8 – CalPERS Federal Legislative and Regulatory Policy Guidelines for Retirement Security

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