



## **Agenda Item 5a**

April 13, 2015

**ITEM NAME:** Establish Ad Hoc Global Governance Subcommittee

**PROGRAM:** Global Governance

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

### **RECOMMENDATION**

Approve the creation of the Ad Hoc Global Governance Subcommittee and corresponding delegation of authority as shown in Attachment 1.

### **EXECUTIVE SUMMARY**

At its March 2015 meeting, the Investment Committee (Committee) consolidated three legacy policies into the Statement of Investment Policy for Global Governance. In addition, the Committee reviewed and approved new Legislative and Policy Engagement Guidelines. Several important issues related to these documents were raised by Committee members at the meeting. The Chair of the Committee directed staff to return at the next meeting with a recommendation to establish a subcommittee to provide a full vetting of those issues.

### **STRATEGIC PLAN**

This agenda item is not part of the CalPERS Strategic Plan.

### **BACKGROUND**

The Statement of Investment Policy for Global Governance (Policy) was presented to the Committee at its February and March 2015 meetings. The Policy represented a consolidation of three policies: Global Proxy Voting; Corporate Governance Director Nominations; and Emerging Equity Markets Principles. In addition, the Committee reviewed and approved Legislative and Policy Engagement Guidelines (Engagement Guidelines) that included elements drawn from both the Policy and the Global Investor Policy Statement on Climate change that CalPERS signed in 2014. Committee members provided feedback on several issues and at the Chair's request, the Committee adopted the Policy and agreed to consider the feedback through an ad-hoc subcommittee of the Investment Committee.

### **ANALYSIS**

The Ad Hoc Global Governance Subcommittee (Subcommittee) would be established through the proposed Delegation Resolution found in Attachment 1 and would empower the Subcommittee to:

1. Recommend modifications to the Policy;

2. Recommend modifications to the Engagement Guidelines to the Committee; and
3. Recommend a process to the Committee for determining when CalPERS Board members can represent the organization as directors of third party organizations.

Consistent with Section VII.C of the Board's Governance Policy, members of the Subcommittee will be chosen by the Board President in consultation with the Chair of the Committee. The proposed Delegation would require the Subcommittee to finalize its recommendations and report to the Committee no later than December 31, 2015.

#### **BUDGET AND FISCAL IMPACTS**

Not applicable.

#### **BENEFITS/RISKS**

Creating the Subcommittee will help address the outstanding Global Governance issues. The limited duration of the Subcommittee will ensure that its work is carried out in an efficient manner. It will also allow the Committee to continue progressing through its existing schedule and workplan.

The risk of not creating the Subcommittee is that the outstanding Global Governance issues will remain outstanding. This could interfere with and impact the Committee's ability to continue its work under the existing schedule and workplan.

#### **ATTACHMENTS**

Attachment 1 – Delegation Resolution establishing the Ad Hoc Global Governance Subcommittee

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Chief Operating Investment Officer

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THEODORE ELIOPOULOS  
Chief Investment Officer