

**California Public Employees' Retirement System  
Investment Policy for  
Global Equity**

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**Effective Date**    **October 19, 2015**

This policy is effective immediately upon adoption and supersedes all previous Global Equity policies.

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**Introduction**

The California Public Employees' Retirement System (CalPERS) Total Fund Investment Policy, adopted by the CalPERS Investment Committee (Committee), sets forth CalPERS investment beliefs and overarching investment purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy (Policy) for the Global Equity Program (Program). The design of this Policy ensures that Staff, investors, managers, consultants, and other participants selected by CalPERS take prudent and careful action while managing the Program. Additionally, use of this policy assures sufficient flexibility in managing investment risks and returns associated with this Program.

It is intended that this Policy be read in conjunction with the CalPERS [Total Fund Investment Policy](#), which provides overarching guidelines for investment performance, beliefs, asset allocation, benchmarks, risk management, derivatives, leverage, and divestment, as well as Staff and consultant responsibilities and reporting to the Investment Committee.

This Policy shall be managed to comply with all applicable Investment Office policies.

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**Strategic Objective**

The Program has two strategic objectives:

- A. The Program seeks to meet or exceed the absolute return generated by global public equities as represented by the benchmark, as specified in the CalPERS Total Fund Investment Policy benchmark appendix, while managing volatility.
  
  - B. The Program seeks to utilize active management in an effort to earn a rate of return in excess of the benchmark. The degree of active management deployed is constrained by various risk limits for the asset class to manage volatility.
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**Responsibilities**

Details regarding various levels of responsibility for this Program are provided in Appendix 1, Reporting to the Investment Committee, and Appendix 2, Investment Responsibilities.

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**Investment Approaches & Parameters**

A. Approach

In the management of the overall Global Equity portfolio, investments are made with a specific purpose. Included strategies may be index-oriented (which closely replicate an index selected as the benchmark) or active strategies (which take tracking error risk relative to a benchmark). All strategies shall be categorized as "index-oriented" or "active."

Global Equity utilizes both internally managed and externally managed strategies to meet the Strategic Objective. The Program seeks to facilitate meaningful information transfer from the external investment managers to Staff to help Staff develop scalable, sustainable, and efficient methods of increasing the likelihood of meeting Global Equity's investment return goals over the long term.

B. Investment Opportunity Set

The primary universe of allowable investment assets within Global Equity shall be publicly traded global equity securities and derivatives thereof as described in the CalPERS Total Fund Investment Policy, Global Derivatives and Counterparty Risk Section, and associated procedure.

C. Investment Selection

Global Equity has internal committees to select desired strategies and allocate capital. The Global Equity committees review and approve internal and external strategies forming the pool of eligible investment strategy alternatives and allocate capital to and from those eligible strategies.

D. Investment Parameters

All investment strategies shall have specific, written guidelines. The guidelines shall outline the investment philosophy and approaches, permissible and restricted activities and a

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performance objective which is commensurate with the strategy's purpose.

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**Investment  
Constraints/  
Limitations**

See Appendix 3 for program investment constraints.

**Glossary of  
CalPERS  
Specific  
Terms**

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*Italicized* terms appearing in the Policy are CalPERS specific in nature and are defined in the [CalPERS Specific Glossary of Terms](#).

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**Policy  
Document  
History**

See Appendix 4 for historical details of Investment Committee adoption and revisions of this policy.

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See the [Total Fund Investment Policy](#) appendices for overarching reporting requirements and responsibilities for the Investment Committee, Staff, **General Pension Consultant**, **Private Asset Class Board Investment Consultant**, and **External Manager**.

**Appendix 1**  
**Reporting to the Investment Committee**

The following tables provide details regarding reporting to the Investment Committee:

- Investment Office Staff
- General Pension Consultant

<b>Investment Office Staff</b>	
<b>Report Content</b>	<b>Frequency</b>
Staff shall provide an Annual Program Review that will include a program overview, investment review, and business review in general conformance with the Annual Program Review Template.	No less than annually
Staff shall report concerns, problems, material changes, and all violations of the Policy. These reports shall include explanations of any violations and appropriate recommendations for corrective action.	At the next Committee meeting, or sooner if deemed necessary.

<b>General Pension Consultant</b>	
<b>Report Content</b>	<b>Frequency</b>
The Consultant shall monitor, evaluate, and report on the performance of the Program relative to the benchmarks and this policy and other applicable CalPERS Policies.	No less than annually

**Appendix 2**  
**Investment Responsibilities**

The following tables provide details regarding investment related responsibilities for the:

- Investment Office Staff
- General Pension Consultant
- External Manager

<b>Investment Office Staff Responsibilities</b>
All aspects of portfolio management, including trading, monitoring, analyzing, selecting and contracting with managers, and evaluating performance relative to the appropriate benchmark.
Monitor internally and externally managed strategies in the implementation of, and compliance with, the Policy.
Development and maintenance of all investment procedures, program guidelines, and sub-program guidelines.
Design and implementation of a process for capital allocation within the asset class.

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**General Pension Consultant Responsibilities**

The Consultant shall provide independent perspective and counsel to the Committee which includes routine communication with the asset class and periodic reviews of processes and procedures.

**External Manager Responsibilities**

External managers are responsible for managing the fund in accordance with the aspects of portfolio management as set forth in each manager's contract with CalPERS and the Policy. External managers are also responsible for communicating and cooperating with CalPERS Staff and authorized third parties regarding the management of the fund.

**Appendix 3  
Investment Constraints/Limitations**

Specific Risk Parameters

1. Asset Class Tracking Error – On average, the aggregate forecast tracking error for Global Equity is 0 to 50 basis points as measured by the CalPERS Risk Management system; however, allowing for slight deviations from this range depending on certain market conditions.
2. Illiquidity – The allocation of assets to illiquid investment vehicles or instruments shall be limited to 15% of the Global Equity asset class exposure at the time of such allocation.
3. Prohibited Securities –The Committee through resolution, or the State or Federal government through enactment of rules or laws, may prohibit CalPERS from holding certain securities. CalPERS will remove such securities from relevant benchmarks. This section will not be applicable for investment funds where CalPERS does not have discretionary authority (e.g., commingled funds, exchange-traded funds) except as required by Federal law.

**Appendix 4  
Global Equity Program Policy Document History**

Date	Detail
2012-12-10	Adopted by the Investment Committee
2013-11-18	Revisions approved by the Investment Committee
2013-12-24	Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy
2014-05-15	Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"
2014-05-15	Administrative changes to reflect the Policy Glossary of Terms Update Project
2014-10-13	Revisions approved by the Investment Committee
2015-10-19	Revisions approved by the Investment Committee Substantive changes to incorporate Investment Policy Revision Project and

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	Investment Delegation Restructuring Project revisions
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