



# Global Governance Policy Ad Hoc Subcommittee

California Public Employees' Retirement System

---

## Agenda Item 4b

November 18, 2015

**ITEM NAME:** Review of Legislative and Policy Engagement Guidelines for Investments

**PROGRAM:** Global Governance

**ITEM TYPE:** Action

### RECOMMENDATION

Following discussion at the Investment Committee regarding SEC rule making on disclosure of corporate political expenditures, Staff recommends that the Legislative and Policy Engagement Guidelines for Investments be updated to include this if agreed.

### EXECUTIVE SUMMARY

The SEC disclosure effectiveness review provides a timely opportunity for CalPERS to revisit its principle regarding corporate disclosure of charitable and political donations. Should the Investment Committee recommend this, staff will update the Legislative and Policy Engagement Guidelines for Investments with new language to call for SEC rule making which would require mandatory disclosure by public companies of all expenditure from shareowner funds in support of political activities.

### STRATEGIC PLAN

The agenda item supports the CalPERS Strategic Plan goal to improve long-term pension and health benefit sustainability.

### INVESTMENT BELIEFS

The agenda item supports the following CalPERS Investment Beliefs:  
Investment Belief 2 – A long time horizon is a responsibility and an advantage. A long time horizon requires that CalPERS advocate for policies that promote fair, orderly and effectively regulated capital markets.

### BACKGROUND

The issue of corporate donations from shareowner funds for political purposes has been the focus of attention in recent years. In 2011 the SEC received a petition for rulemaking which would require full disclosure of such expenditure. The petition has since received over one million comment letters in support. The Council of Institutional Investors, of which CalPERS is a founder and Director, supported the call for rulemaking in its own letter the same year. Subsequently, CalPERS' Board

adopted a new provision in its Global Governance Principles, which calls for companies to: develop a policy on the issue of corporate charitable and political donations; to ensure board oversight; and, to provide comprehensive disclosure of donations directly or indirectly disbursed for charitable or political purposes.

#### **ANALYSIS**

In recent years, shareowners have filed over 500 proposals seeking to improve disclosure and oversight of political donations. Recent reports from the Center for Political Accountability at Wharton show that a growing number of companies do now provide disclosure of their policies, oversight practices and donations. Current voluntary disclosure lacks consistency, and is not comprehensive. An SEC rule would benefit investors by providing a cost effective method in place of private ordering. The SEC is currently consulting with investors through its disclosure effectiveness review, providing a timely opportunity for CalPERS to express its support for rule making.

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

The costs are included in current staff budget and resources. An SEC rule would offer potential savings for staff time on analysis, monitoring and voting of private ordering shareowner proposals on political donations.

#### **BENEFITS/RISKS**

The benefit of rulemaking around political contributions is improved transparency. The risks are associated with the potential for misalignment with CalPERS' investment objectives.

#### **ATTACHMENTS**

Attachment 1 – Legislative and Policy Engagement Guidelines

---

ANNE SIMPSON  
Investment Director, Global Governance

---

THEODORE ELIOPOULOS  
Chief Investment Officer