



Investment Committee Agenda Item 5b

March 14, 2016

Item Name: Review of the Investment Committee Delegation

Program: Administration

Item Type: 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, except for the ministerial changes noted below, no changes are proposed.

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 offering many recommendations that were subsequently included in the Governance Policy, including a provision that Committee delegations be reviewed annually. Board committee delegations were updated and approved in December 2011.

The Committee reviewed its delegation in 2013, 2014, and 2015. Changes were recommended and approved by the Board of Administration in 2013 and 2014.

Analysis

During the ongoing Policy Revision Project and development of the Total Fund Investment Policy (Policy), staff aligned the language within the 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. References to the State Peace Officers' and Firefighters' Defined Contribution Plan and associated government code sections, however, were removed, as this plan was terminated through legislation.

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 2016 meeting.

Budget and Fiscal Impacts

Not applicable.

Benefits and 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 investment delegation and 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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