
August 15, 2016**Item Name:** Global Governance Strategic Review: Adoption of 5-Year Plan**Program:** Global Governance**Item Type:** Action**Recommendation**

Staff recommends that the CalPERS Board adopt the Global Governance 5-Year Plan presented in the attachment.

Executive Summary

This agenda item presents the final phase in developing CalPERS' new 5-year sustainable investment strategy on integrating environmental, social, and governance (ESG). The new ESG strategy has been developed through an iterative process the Investment Committee launched January 2016. The attached plan delineates the Strategic and Core areas to focus CalPERS' resources with associated key performance indicators (KPIs). The Strategic work includes a focus on:

- Data and Corporate Reporting Standards
- Engage UN PRI Montreal Pledge Companies
- Diversity and Inclusion
- Manager Expectations
- Research
- Private Equity Fee and Profit Sharing Transparency

Core work represents activity under current CalPERS policy and mandates. Timelines for accomplishing these initiatives, as well as the progress we hope to make during the 5-year plan, are presented in the attachment.

Strategic Plan

This agenda item supports the CalPERS Strategic Plan goals of improving long-term pension benefits sustainability and actively managing business risks with an enterprise-wide view.

Investment Beliefs

This agenda item supports the CalPERS Investment Beliefs:

Investment Belief 2: A long time investment horizon is a responsibility and an advantage

Investment Belief 3: CalPERS investment decisions may reflect wider stakeholder views, provided they are consistent with its fiduciary duty to members and beneficiaries

Investment Belief 4: Long-term value creation requires effective management of three forms of capital: financial, physical and human

Investment Belief 5: CalPERS must articulate its investment goals and performance measures and ensure clear accountability for their execution

Investment Belief 7: CalPERS will take risk only where we have a strong belief we will be rewarded for it

Investment Belief 9: Risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error

Background

In January 2016, the Investment Committee began vetting CalPERS' new 5-year strategy through monthly reports to the Investment Committee. The intent of these sessions was to solicit feedback on CalPERS' climate change, human capital and board quality strategies for engagement, advocacy and integration. Staff additionally grouped the initiatives as Strategic and Core and developed key performance indicators and recommendations for partnerships.

Budget and Fiscal Impacts

Not Applicable.

Benefits/Risks

Benefits – Continuing our focus on understanding and improving alignment of interest factors is consistent with our Investment Beliefs.

Risks – Poor disclosure creates uncertainty around implementation of Investment Beliefs.

Attachments

Attachment 1 – Review of ESG Strategy: Final 5-Year Plan

Anne Simpson

Investment Director
Global Governance

Dan Bienvenue

Managing Investment Director
Global Equity

Theodore Eliopoulos

Chief Investment Officer

