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**November 14, 2016****Item Name:** Annual Review of the Legislative and Policy Engagement Guidelines – First Reading**Program:** Legislation**Item Type:** Information**Executive Summary**

The CalPERS Legislative and Policy Engagement Guidelines provide a policy framework to engage on legislative, regulatory, and policy proposals consistent with the Board of Administration's beliefs, principles, and policies. They have been developed from the previously adopted CalPERS Strategic Plan, Investment Beliefs, Pension Beliefs, Total Fund Investment Policy, and Global Governance Principles, as well as existing legislative and investment policy standards, guidelines, and initiatives put forth by the Board of Administration (Board). They in no way bind the Board in considering or adopting a position on any specific proposal, nor do they supersede or alter any existing policies, beliefs, or principles.

The Investment Guidelines form part of the broader CalPERS Legislative and Policy Engagement Guidelines (Guidelines), which also include the Retirement Guidelines and Health Care Guidelines. Proposed updates/changes to the Retirement Guidelines and Health Care Guidelines are also being considered this month by the Pension and Health Benefits Committee. Any changes to the draft guidelines recommended by the two committees will be incorporated into the complete set of Guidelines, which will be presented to the committees at their December meetings for a second reading and approval. The final, approved document will replace the existing Guidelines as previously adopted by the Board.

Staff seeks feedback on the proposed updates to the "Investment Guidelines" section of the CalPERS Legislative and Policy Engagement Guidelines, along with conforming changes to the "Introduction" and "General Guidelines" sections, as reflected in Attachment 1.

**Strategic Plan**

This item supports the CalPERS 2012-17 Strategic Plan Goal C to engage in state and national policy development to enhance the long-term sustainability and effectiveness of CalPERS' programs.

**Investment Beliefs**

This agenda item supports and/or reflects the following CalPERS Investment Beliefs:

1. Investment Belief 2 – A long time investment horizon is a responsibility and an advantage. A long investment time horizon requires that CalPERS advocate for public policies that promote fair, orderly, and effectively regulated capital markets.
2. Investment Belief 4–Long-term value creation requires effective management of three forms of capital: financial, physical and human. Strong governance, along with effective

management of environmental and human capital factors, increases the likelihood that companies will perform over the long-term and manage risk effectively.

### **Background**

The Investment Guidelines were last updated November 2015. The Guidelines provide staff and the federal policy representatives a framework to guide legislative and regulatory efforts consistent with the policy direction set by the Board. Often, state and federal legislative activity and regulatory processes do not conform to a timeframe consistent with the Board's regularly scheduled meetings. Thus, it is important to equip staff and the federal policy representatives with an appropriate understanding of the Board's policy framework and a sufficient mandate in order to facilitate a timely legislative or regulatory response. Additionally, the Guidelines provide guidance in the preparation of legislative agenda items consistent with the Board's standards and practices.

### **Analysis**

The mission of the Legislative Affairs Division is to lead CalPERS' legislative and policy efforts by collaborating with governmental, member, employer, and other stakeholder groups to advance the financial and health security of all who participate in the System and to ensure the integrity and sustainability of CalPERS. The Legislative Affairs Division operates as a vital link in the state, federal, and regulatory process, working with a myriad of stakeholders on relevant legislative interests. The Guidelines facilitate appropriate responses to federal and state legislative inquiries, legislative and regulatory analysis, legislative testimony, and necessary legislative exchange to present the CalPERS position uniformly and comprehensively. The Guidelines also assist in the determination of which legislative and regulatory issues to draft and develop, monitor, and engage in along with providing recommendations and analysis to the Board.

The proposed changes to the Investment Guidelines reflect the previous deliberations of the Board in developing the CalPERS Strategic Plan, Investment Beliefs, Pension Beliefs, Total Fund Investment Policy, and Global Governance Principles, in addition to existing board legislative and investment policy standards, guidelines, and initiatives.

### **Budget and Fiscal Impacts**

Not applicable.

### **Benefits and Risks**

Periodic review to ensure that the CalPERS Legislative and Policy Engagement Guidelines represent a clear and up-to-date formulation of the Board's legislative and policy priorities facilitates the design and implementation of an effective advocacy strategy in line with the Board's legislative and regulatory objectives, creates consistency in policy efforts, and assists the Board in performing its constitutional mandate.

### **Attachments**

Attachment 1 – Marked Proposed Changes: Legislative and Policy Engagement Guidelines – Introduction, General Guidelines, and Investment Guidelines

Attachment 2 – Clean Proposed Changes: Legislative and Policy Engagement Guidelines – Introduction, General Guidelines, and Investment Guidelines



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