



Investment Committee Agenda Item 5a

December 19, 2016

Item Name: Annual Report to the California Legislature – CalPERS Emerging Manager Five-Year Plan

Program: Investment Manager Engagement Program

Item Type: Action

Recommendation

Approve transmission of CalPERS Emerging Manager Five-Year Plan annual report to the California Legislature pursuant to statutory requirements of Chapter 701 of the Statutes of 2011 (SB 294 Price).

Executive Summary

This agenda item seeks approval to submit the CalPERS Emerging Manager Five-Year Plan, Year Four Report to the State Legislature.

Strategic Plan

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

Investment Beliefs

This program update highlights recent work guided by CalPERS' Investment Belief 3, that CalPERS' investment decisions may reflect wider stakeholder views, provided they are consistent with its fiduciary duty to members and beneficiaries; Investment Belief 8, that costs matter and need to be effectively managed; and Investment Belief 10 that strong processes and teamwork, and deep resources are needed to achieve CalPERS' goals and objectives.

Background

Chapter 701 of the Statutes of 2011 (SB 294 Price) requires CalPERS to complete and deliver a Five-Year Plan that describes our efforts in emerging manager investing. CalPERS shall submit a report to the Legislature, commencing March 1, 2014, and thereafter in compliance with Government Code § 9795.

Analysis

In August 2012, CalPERS began implementing the CalPERS Emerging Manager Five-Year Plan concentrating on Portfolio Management and External Outreach work streams. This Year Four Annual Report describes progress against the work streams over the 12-month period from July 1, 2015 through June 30, 2016.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

The benefit of compiling the Emerging Manager Five-Year Plan is to provide a framework and single source of transparency into the CalPERS practices and engagement with emerging investment managers. Failure to comply with the reporting requirements of Chapter 701 of the Statutes of 2011 (SB 294 Price) could result in legal and reputational risk for CalPERS.

Attachments

Attachment 1 – CalPERS Emerging Manager Five-Year Plan, Year Four Annual Report to the State Legislature

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Targeted Investment Programs

Theodore Eliopoulos

Chief Investment Officer