
December 19, 2016

Item Name: Investment Manager Engagement Programs Update

Program: Investment Manager Engagement Programs

Item Type: Information

Executive Summary

Effective August 1, 2016, Targeted Investment Programs was renamed to the Investment Manager Engagement Programs (IMEP). This agenda item provides an update on IMEP with a focus on the following two Investment Office Strategic Objectives or Roadmap Initiatives:

- Establish new External Manager Monitoring and Evaluation program functions and governance; and
- Establish a new CalPERS Emerging and Transition Manager 2020 Plan.

Strategic Plan

This agenda item supports the CalPERS Strategic Plan goals to improve long-term pension and health benefit sustainability and engage in state and national policy development to enhance the long-term sustainability and effectiveness of our programs. The ability to gain stakeholder feedback can help CalPERS make informed investment decisions. Engagement with stakeholders allows CalPERS to gain knowledge and establish collaborative relationships to better accomplish the system's investment objectives.

Investment Beliefs

This program update highlights recent work guided by:

- CalPERS Investment Belief 3, CalPERS investment decisions may reflect wider stakeholder views, provided they are consistent with its fiduciary duty to members and beneficiaries;
- CalPERS Investment Belief 5, CalPERS must articulate its investment goals and performance measures and ensure clear accountability for their execution; and
- CalPERS Investment Belief 8, Costs matter and need to be effectively managed.

Background

In January 2012, Targeted Investment Programs was created to provide centralized coordination and reporting of Investment Committee and legislative initiatives that cross asset classes and multiple stakeholder groups including emerging manager programs, diversity and inclusion, and labor stakeholder engagement. Over time, the Program was expanded to manage additional initiatives for the Total Fund. Effective August 1, 2016, Targeted Investment Programs was renamed to the Investment Manager Engagement Programs with an expanded role focused on an integrated asset class and total fund manager monitoring and evaluation process to ensure consistency, transparency, and accountability.

Analysis

In collaboration with asset class and program area staff, the Investment Manager Engagement Programs will be focused on retaining an aligned roster of external managers by integrating best practice manager evaluation processes to ensure a consistent and transparent system that results in reduced risk, cost, and complexity.

The new Emerging and Transition Manager 2020 Plan (the 2020 Plan), beginning July 1, 2017 and ending June 30, 2020, will focus on six key initiatives that are intended to maintain CalPERS leadership in emerging and transition manager investment programs, and build on of the success of the initial Emerging Manager Five-Year Plan. Key objectives include the administration of two global solicitation processes seeking qualified candidates for the Transition Manager Program. Staff will report annually to Investment Committee on activities undertaken under this new plan.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

Investment Manager Engagement Programs supports CalPERS fiduciary duty to provide sustainable, risk adjusted returns for its members.

Attachments

Attachment 1 – Investment Manager Engagement Programs Update

Attachment 2 – Emerging & Transition Manager 2020 Plan

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