

Investment Manager Engagement Programs

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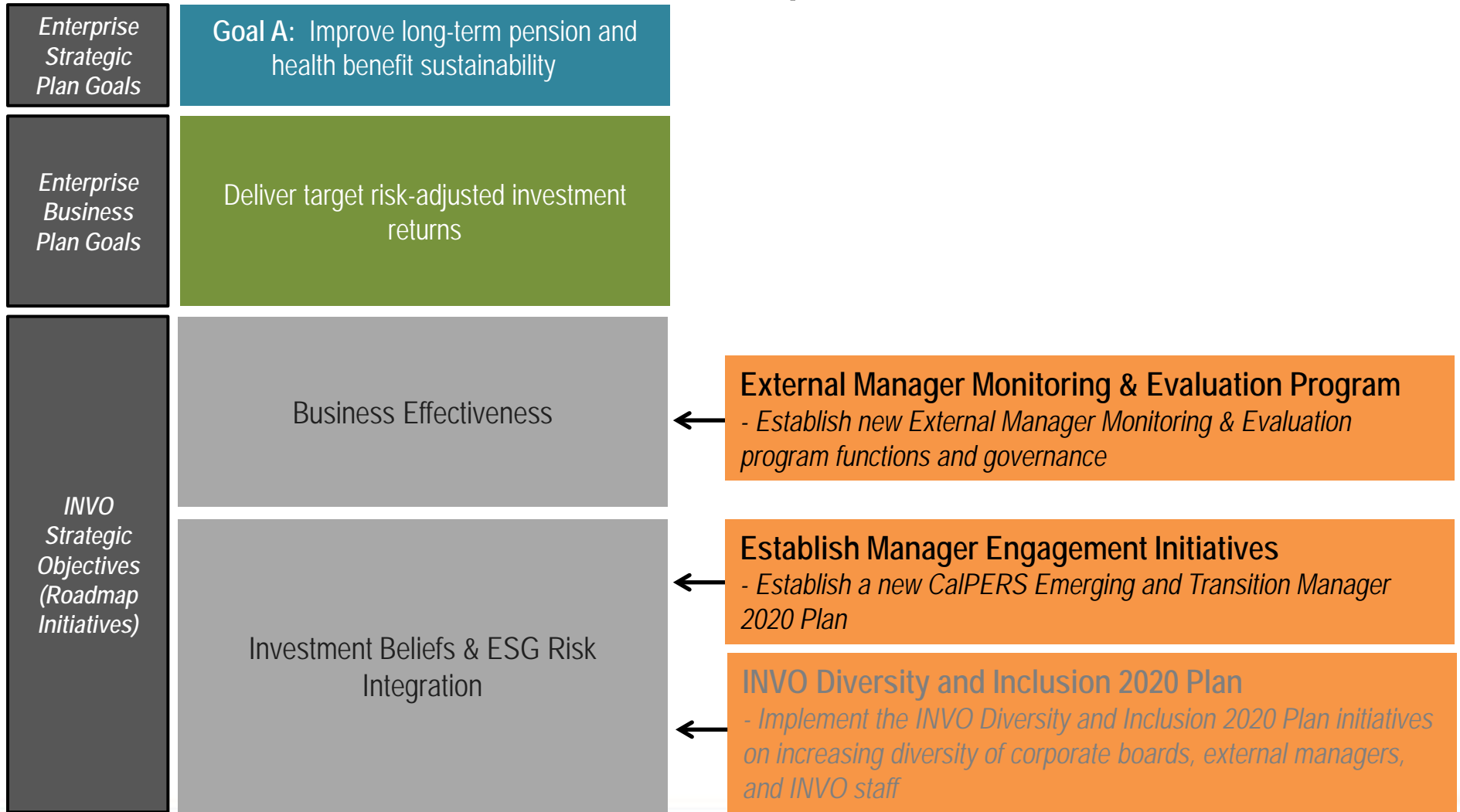
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Program Overview

Investment Manager Engagement Programs:

1. External Manager Monitoring & Evaluation Program
2. Emerging and Transition Manager Programs
3. Diversity and Inclusion Initiatives
4. Labor Stakeholder Engagement and Responsible Contractor Program Policy
5. CalPERS for California

Fiscal Year 2016-17 Roadmap Initiatives

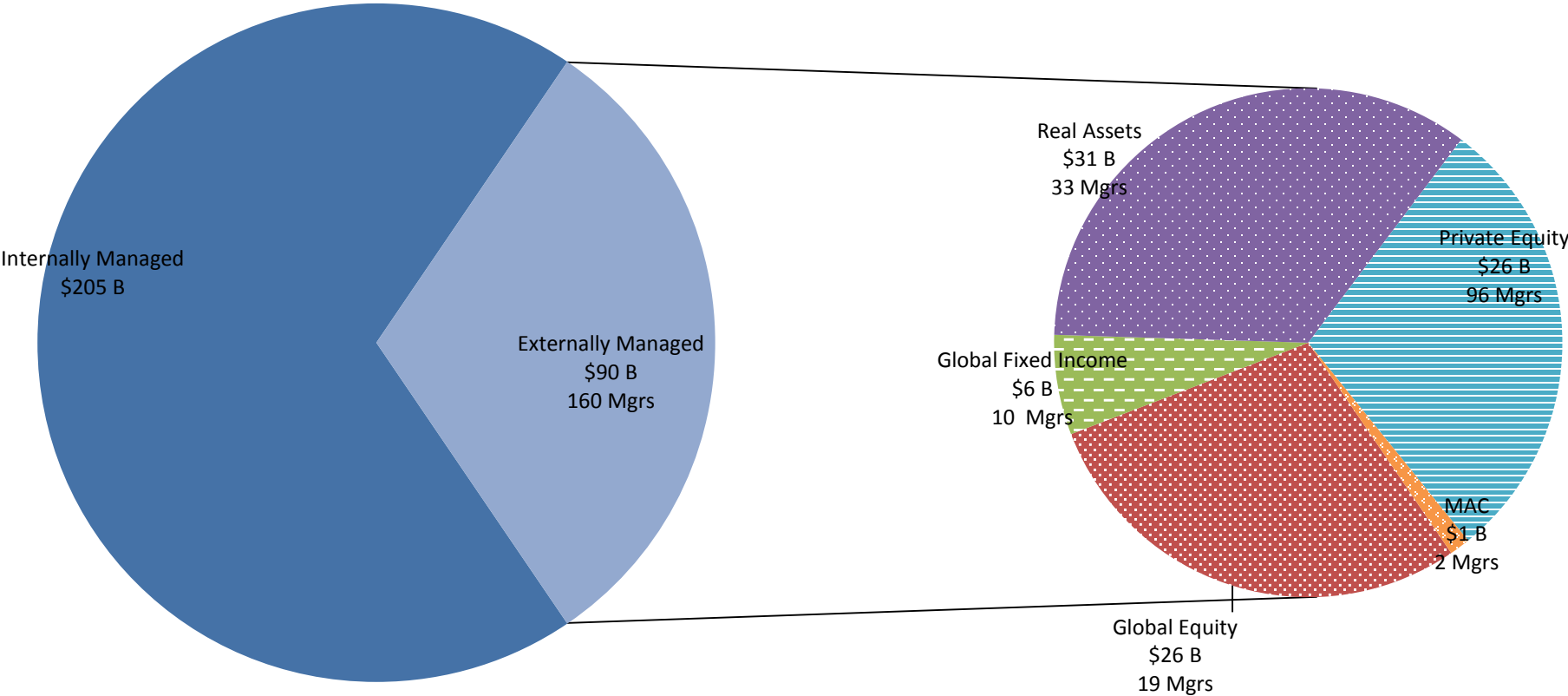


External Manager Monitoring & Evaluation Program (EMME)

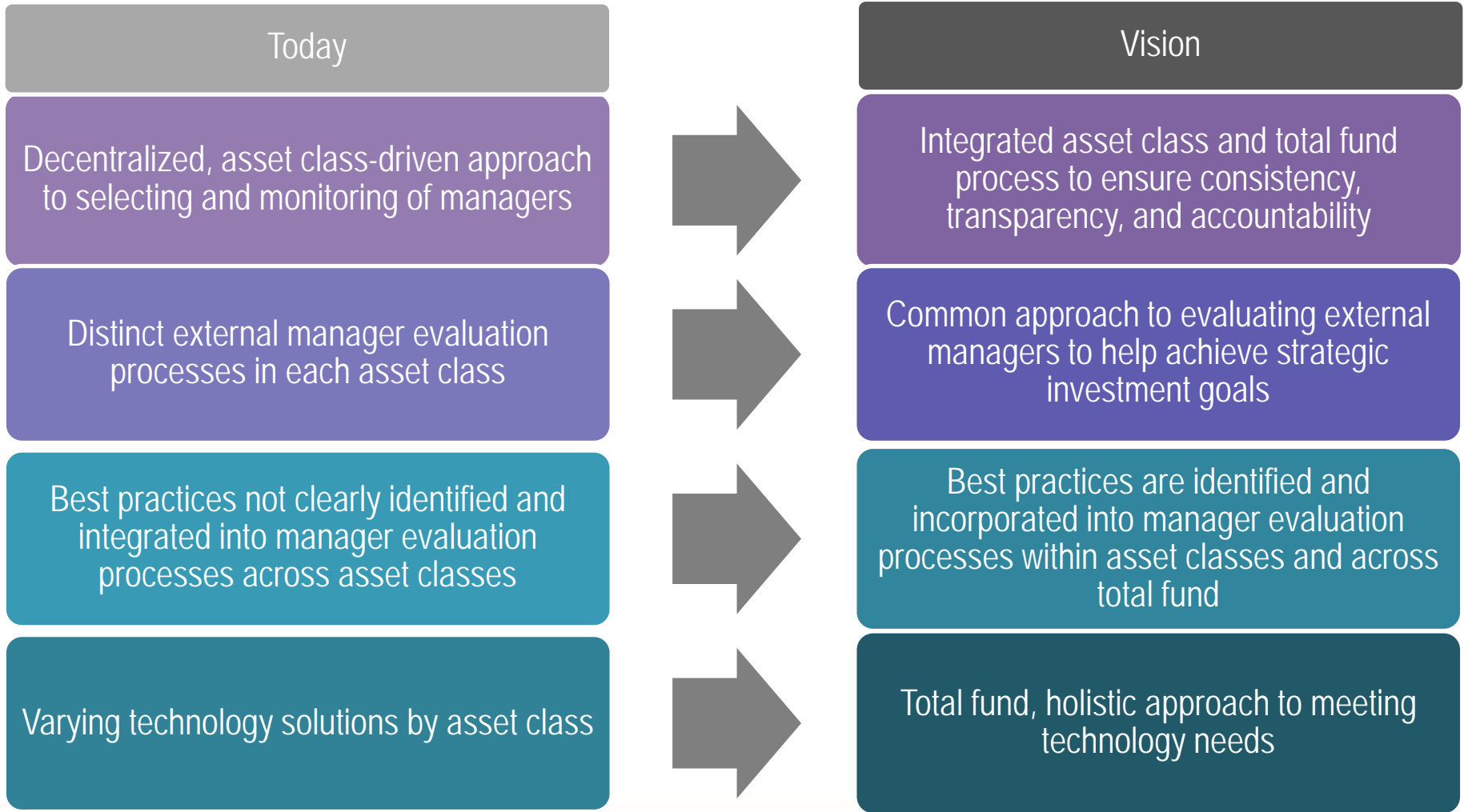
Background

- Establish fewer, more strategic, external manager relationships
- Reduce cost and complexity in external manager evaluation processes
- Improve alignment, transparency, and risk awareness in external manager relationships
- Increase Investment Office collaboration and Total Fund emphasis

External Manager Universe



From - To Statements



External Manager Monitoring & Evaluation Program Goals

Reduce cost and complexity in evaluation and monitoring practices and improve consistency across the asset classes

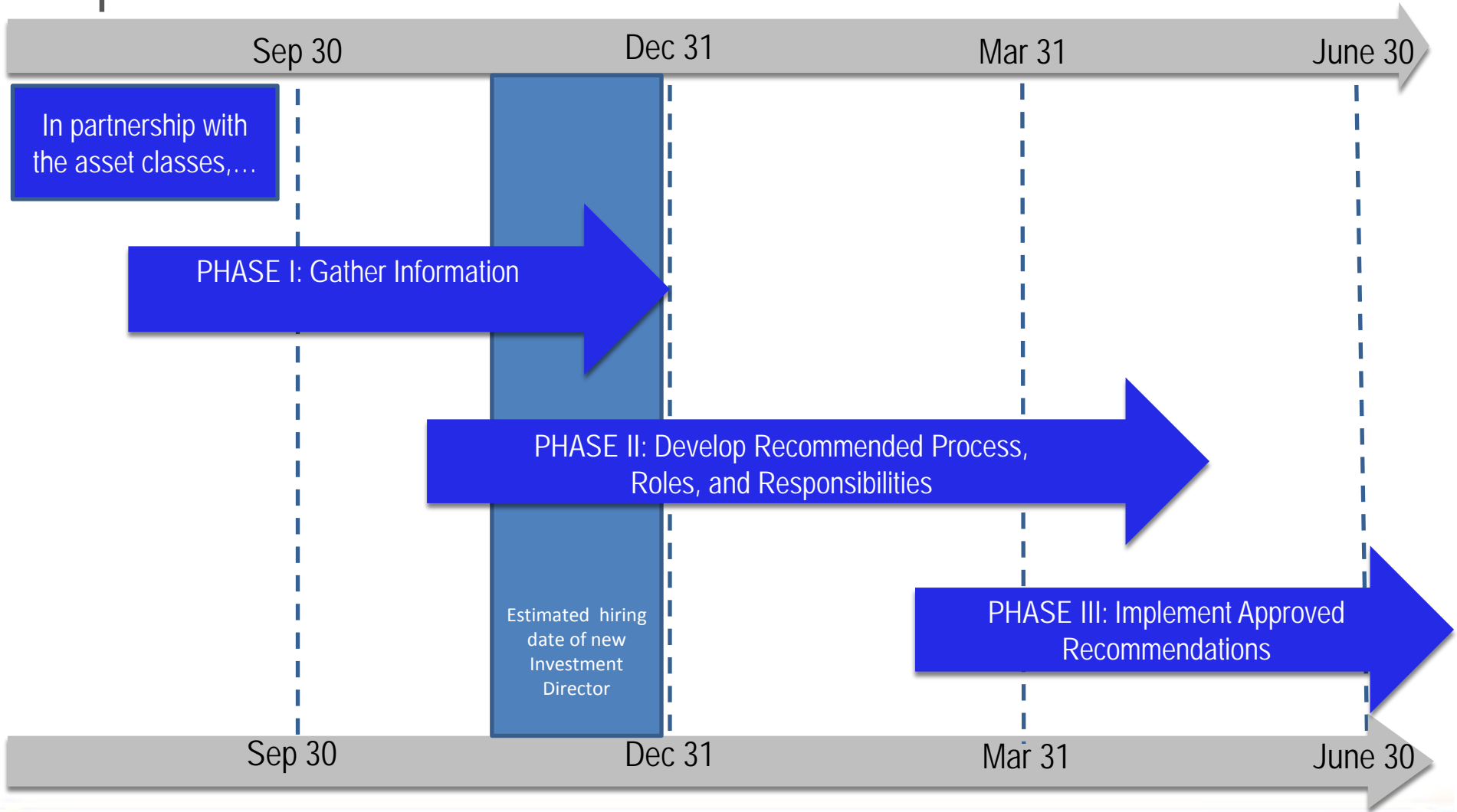
Develop a centralized manager evaluation and monitoring function, and develop and implement a centralized technology support framework

In collaboration with the asset classes

Achieve clarity of roles between External Manager Monitoring & Evaluation program, the asset classes, and consultants

Establish better information- and intelligence-gathering to achieve a deeper understanding of our managers and share insights across the total fund

Proposed Fiscal Year 2016-17 Action Plan



Emerging and Transition Manager 2020 Plan

Strategic Framework

The plan splits CalPERS' strategic efforts related to emerging manager investment strategies into the following categories: Portfolio Management and External Outreach, which are further organized into six distinct initiatives as outlined below:

Portfolio Management

1. Manage, Track, and Report Emerging and Transition Manager Performance, Capital Deployment, Exposure and Cost
2. Establish the Global Solicitation Process for Transition Manager Program
3. Integrate Emerging and Transition Managers Into Asset Classes
4. Conduct a Comprehensive Review of Emerging and Transition Manager Programs and Outcomes

External Outreach

1. Engage and Participate in Stakeholder Events
2. Communicate and Foster Relationships with Emerging and Transition Managers and Stakeholders

Portfolio Management Initiatives

1) Manage, Track, and Report Emerging and Transition Manager Performance, Capital Deployment, Exposure and Cost

- Track and report on the progress of capital deployment in the Emerging and Transition Manager Programs (up to \$4 billion and \$7 billion, respectively) through fiscal year 2020
- Survey and report year-over-year manager exposure in emerging, transition, and diverse manager categories

2) Establish the Global Solicitation Process for Transition Manager Program

- CalPERS will be conducting a transition manager solicitation in fiscal year 2017-18, and a second solicitation by Fiscal Year-end 2020

3) Integrate Emerging and Transition Managers Into Asset Classes

- Better leverage the expertise of our managers by increasing interaction with asset class staff
- Provide managers with a better understanding of CalPERS asset allocation process and decision making
- Find meaningful ways to integrate managers into and across the asset classes

4) Conduct a Comprehensive Review of Emerging and Transition Manager Programs and Outcomes

- Review past programs and investments to identify lessons learned; lay foundation for the Emerging and Transition Manager strategy for the next decade

External Outreach Initiatives

1) Engage and Participate in Stakeholder Events

- Focus on staff's outreach efforts via conferences, webinars, workshops, and meetings to strengthen CalPERS relationships and improve communications with the emerging and transition manager stakeholder community.

2) Communicate and Foster Relationships with Emerging and Transition Managers and Stakeholders

- CalPERS is focused on continuing efforts in
 - Outreach
 - Education and messaging
 - Technology, communication and networking tools

Looking Forward

Looking Forward

- Transition new Investment Director into Investment Manager Engagement Programs leadership role
- Recommend processes and procedures, and roles and responsibilities for asset classes and Investment Manager Engagement Programs
- Coordinate Global Solicitation Process for the Transition Manager Program
- In collaboration with Global Governance, transition Manager Expectations/ESG Integration Project to Investment Manager Engagement Programs

Appendix

Investment Beliefs

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- 4 Three Forms of Capital
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- 6 Strategic Allocation
- 7 Risk Reward
- 8 Costs Matter
- 9 Multi-faceted Risk
- 10 Resources/Process
- ↑ Change / Improvement