
June 19, 2017**Item Name:** Investment Manager Engagement Programs Update**Program:** Investment Manager Engagement Programs**Item Type:** Information**Executive Summary**

This agenda item provides an update on Investment Manager Engagement Programs (IMEP) progress and objectives with a focus on the following two topics:

- Emerging and Transition Manager Programs
- External Manager Monitoring and Evaluation

California Investment Initiatives will be highlighted in Investment Committee agenda item 6b in June 2017, and Responsible Contracting updates will take place in December 2017. Diversity and Inclusion updates will occur during the Finance and Administration committee in September 2017.

Strategic Plan

The activities described in this agenda item support the CalPERS Strategic Plan goal of improving long-term pension and health benefit sustainability by improving our effectiveness of engaging with our external managers. Engagement with stakeholders allows CalPERS to gain knowledge and establish collaborative relationships to better accomplish 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 10: Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives.

Background

An annual program review for each program area is presented to the Investment Committee. The last program review for IMEP was in December of 2016.

Effective August 1, 2016, Targeted Investment Programs was renamed to Investment Manager Engagement Programs (IMEP). Its role was expanded to focus on an integrated asset class and “total fund” manager monitoring and evaluation processes to ensure consistency, transparency, and accountability. Additionally, IMEP continues to provide coordination across all asset classes

in the areas of emerging and transition managers, responsible contracting, California investment initiatives, and diversity and inclusion efforts.

Analysis

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, including administering two solicitations for transition managers, integrating these emerging and transition managers more fully into the asset classes and finally fostering strong relationships with the emerging and transition manager community. Staff will report annually to Investment Committee on activities undertaken under this new plan.

In collaboration with asset class and program area staff, IMEP will be focused on retaining a well-aligned roster of external managers by integrating best practice manager evaluation processes. The ultimate goal of this program is to ensure a consistent and transparent manager engagement system that results in reduced risk, cost, and complexity for CalPERS.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

IMEP supports CalPERS' fiduciary duty to provide sustainable, risk adjusted returns for its members.

Attachments

Attachment 1 – Investment Manager Engagement Programs Update

Attachment 2 – Emerging and Transition Manager 2020 Plan

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