



## Investment Committee Agenda Item 6a

December 18, 2017

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

**Program:** Investment Manager Engagement Programs

**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 Five Report to the State Legislature, and provides an update on recent Emerging and Transition Manager programs.

### **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; 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-Five Annual Report describes progress against the work streams over the 12-month period from July 1, 2016 through June 30, 2017. The final Annual Report is due to the Legislature by January 1, 2018.

**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 – Emerging Manager Five-Year Plan Update

Attachment 2 – CalPERS Emerging Manager Five-Year Plan: Year Five Annual Report

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**Clinton Stevenson**

Investment Director

Investment Manager Engagement Program

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**Wylie Tollette**

Chief Operating Investment Officer