



Investment Committee Agenda Item 5a

March 19, 2018

Item Name: Review of the Investment Committee Delegation

Program: Policy & Delegation

Item Type: Action

Recommendation

Recommend, for consideration by the Board of Administration, that the current Investment Committee delegation remain in place with no material changes.

Executive Summary

The Board of Administration (Board) Governance Policy (Governance Policy) requires an annual review of the Board's delegation of authority to the Investment Committee (Committee). The Committee Chair and senior Investment Office staff have reviewed the Committee delegation and, except for ministerial changes reflecting the election of Ms. Mathur as Board President, no changes are proposed for 2018.

The Committee delegation is provided as Attachment 1. An opinion letter from Wilshire Associates is provided as Attachment 2.

Strategic Plan

This item does not directly support the CalPERS 2017-22 Strategic Plan. The proposed revisions, as part of a clear and actionable policy framework, will contribute to the effective management and oversight of investment activities.

Investment Beliefs

This agenda item supports CalPERS Investment Belief 10, that strong processes and teamwork and deep resources are needed to achieve CalPERS' goals and objectives.

Background

In 2011, Funston Advisory Services was commissioned by the Board to examine significant areas of Board oversight, governance practices, accountability, and decision-making. The purpose of the review was to enhance the effectiveness of the Board. In September 2011, a final report was presented to the Board offering many recommendations that were subsequently included in the Governance Policy, including a provision that committee delegations be reviewed annually. Board committee delegations were updated and approved in December 2011.

In 2013 the Board implemented an annual review process for all Board committee delegations. Changes to the Committee delegation were approved by the Board in 2013 and 2014. Ministerial changes to remove references to a legislatively terminated defined contribution plan were approved in 2016. No changes were made during the 2017 annual review.

Analysis

If the Committee concurs that its current delegation provides the proper investment authorities necessary to carry out its fiduciary obligations, staff will advance the delegation to the Board for consideration and action. The Board's review of committee delegations is currently scheduled for the April 2018 meeting.

Budget and Fiscal Impacts

Not applicable.

Benefits and Risks

Conducting a periodic review of the Committee delegation is consistent with good governance principles and mitigates operational and reputational risks. Staff has not identified any risks associated with maintaining the current delegation with no changes for 2018.

Attachments

Attachment 1 – Board of Administration Delegation Resolution No. IC-18-01

Attachment 2 – Board Investment Consultant Opinion Letter – Wilshire Associates

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