



# Investment Committee

## Agenda Item 5b

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**February 19, 2019**

**Item Name:** Review of the Investment Committee Delegation

**Program:** Policy & Delegation

**Item Type:** Action Consent

### **Recommendation**

Recommend that the current Investment Committee delegation remain in place with no material changes pending completion of the current self-evaluation process being undertaken by the Board of Administration (Board).

### **Executive Summary**

The Board of Administration Governance Policy (Governance Policy) requires an annual review of the Board's delegation of authority to the Investment Committee (Committee). In light of the Board's initial self-evaluation findings and opportunities at the January 2019 Board Offsite, and the absence of any issues with the potential to impair the operations of the CalPERS Investment Program, staff recommends no changes be contemplated at this time.

### **Strategic Plan**

This agenda item does not directly support the CalPERS 2017-22 Strategic Plan.

### **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**

#### *Establishment of the Annual Review Process (2011-2013)*

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 of the Board's committee delegations.

#### *Results of Prior Reviews (2013-2018)*

Changes to the Committee's 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. Subsequent annual reviews have produced no recommended changes.

#### *Background on Current Board Self-Evaluation Cycle – July 2018*

The CalPERS Board conducts a self-evaluation on a two-year cycle. In 2018 the Board appointed the National Association of Corporate Directors (NACD) to provide independent facilitation services for the current self-evaluation cycle. At the July 18, 2018 offsite meeting of the Board the NACD facilitator, the Honorable Cari M. Dominguez, presented the key approaches to be used for the current review cycle<sup>1</sup>. The proposed approach included the use of surveys to explore topics at multiple levels (*i.e.*, the board level, committee level, and individual level).

### **Analysis**

#### *Revisit the Committee Delegation After Further Progress in the Board's Current Self Evaluation Process is Realized*

At the "CalPERS Board Self-Evaluation: Findings and Opportunities" session of the January 24, 2019 offsite meeting, the Board expressed interest in further exploring several topics that had emerged in the course of the survey activities<sup>2</sup>. These included:

1. Clarification of roles and responsibilities at each level of governance,
2. Revisiting committee structure and compositions, and
3. Refining meeting materials to prioritize areas for deliberation.

Staff is not aware of any aspects of the Committee's current delegation in need of updating. Moreover, since the aforementioned topics may have material implications for the Committee's delegation, staff suggests that contemplation of further changes be deferred until completion of the Board's current self-evaluation process.

#### *Potential Next Steps*

If the Committee concurs that its current delegation continues to provide the proper investment authorities necessary to carry out its fiduciary obligations, staff will advance the delegation to the Board for consideration and action.

### **Budget and Fiscal Impacts**

Not Applicable.

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<sup>1</sup> [CalPERS Board Meeting Archive, July 18, 2018 "Board Governance: CalPERS Board Self- Evaluation" PowerPoint Presentation](#)

<sup>2</sup> [CalPERS January 2019 Board Offsite, Session 14 of 15 "CalPERS Board Self-Evaluation: Findings and Opportunities" minutes 50:35 of 1:37:57.](#)

## **Benefits and Risks**

Conducting a periodic review of the Committee's 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 2019.

## **Attachments**

Attachment 1 – Board of Administration Delegation Resolution No. IC-16-01

Attachment 2 – Board Investment Consultant Opinion Letter – Wilshire Associates

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