



# Investment Committee

## Agenda Item 7a

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**September 16, 2019**

**Item Name:** Revision of Total Fund Policy – Second Reading

**Program:** Total Fund

**Item Type:** Action

### **Recommendation**

Approve the revised Total Fund Policy as presented by staff.

### **Executive Summary**

This item seeks the Investment Committee's (Committee's) consideration and action regarding the proposed updates and revisions to the Total Fund Investment Policy (Total Fund Policy) resulting from this year's annual review process. Subsequent to the first reading of the Total Fund Policy (presented at the August 19, 2019 meeting of the Committee) staff has proposed additional changes to one staff reporting responsibility (Staff Responsibility 1, Appendix 1).

### **Strategic Plan**

Supports the Fund Sustainability element of the CalPERS 2017-22 Strategic Plan by contributing to the effective management and oversight of investment activities.

### **Investment Beliefs**

This item supports CalPERS Investment Belief 10, particularly sub-belief C.

### **Background**

Proposed changes to the Total Fund Policy were presented to the Committee for a first reading at the August 19, 2019 meeting of the Committee (as open session Agenda Item 9c). One additional change is being proposed for inclusion during this 2<sup>nd</sup> reading.

### **Analysis**

Information regarding the previously proposed changes is available in Agenda Item 9c, as presented at the August 19, 2019 meeting of the Committee, and within Attachment 3 of this agenda item.

As noted in the Executive Summary section, Staff Reporting Responsibility number one has been updated with changes along two dimensions to:

1. Clarify how policy exception reporting requirements are addressed in the course of implementing new Committee-approved program or sub-program allocation targets.

2. Clarify that this reporting responsibility applies to all investment policies, which will allow the elimination of redundant references in the individual investment program policies.
  - a. It should be noted that the corresponding changes to the Global Equity and Global Fixed Income program policies (elimination of the redundant policy-exception reporting language) are included among the proposed changes to such program policies scheduled for a first reading at the September 16, 2019 meeting of the Committee.

These changes are shown in the mark-up version of the Policy (Attachment 2), on page 31 of 112, and are highlighted in yellow to further differentiate them from the changes as proposed at the first reading of the Total Fund Policy. These changes are being recommended to 1) ensure a shared understanding between the Committee and staff regarding the treatment of policy exceptions during approved transition activities, and 2) further support CalPERS' total-fund management approach.

### **Budget and Fiscal Impacts**

Not Applicable

### **Benefits and Risks**

The changes support appropriate maintenance of the Total Fund Policy. There are no anticipated risks.

### **Attachments**

- Attachment 1 – Proposed Total Fund Policy (clean view)
- Attachment 2 – Proposed Total Fund Policy (mark-up view)
- Attachment 3 – Total Fund Policy – Summary of Key Changes
- Attachment 4 – Consultant Opinion Letter – Wilshire Associates (General Pension Consultant and Forestland)
- Attachment 5 – Consultant Opinion Letter – Meketa Investment Group (Private Equity)
- Attachment 6 – Consultant Opinion Letter – Meketa Investment Group (Real Estate and Infrastructure)

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