



# Investment Committee

## Agenda Item 7b

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**April 20, 2020**

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

**Program:** Investment Committee

**Item Type:** Action Consent

### **Recommendation**

Approve the Investment Committee delegation in the form included as Attachment 1.

### **Executive Summary**

Staff's proposed updates to the Committee's delegation are in furtherance of prior board direction that governance documents be written clearly, concisely, and in plain English.

### **Strategic Plan**

This item supports the "Reduce Complexity and Risk Management" Strategic Goal from the CalPERS 2017-2022 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 (acknowledging the need for strong governance and effective, clear processes).

### **Background**

As required by the Board Governance Policy, each Committee's delegation is reviewed annually and updated as needed to ensure continued alignment with board policy and the CalPERS Strategic Plan.

On August 20, 2019, the Board Governance Committee was presented with workstream recommendations in five areas – Board Curriculum, Roles and Responsibilities, Meeting Materials, Code of Conduct, and Insight Tool Prototype – intended to enhance the effectiveness of the Board. The updates proposed to this delegation will align it with the board-approved Workstream 2: Roles and Responsibilities, by transitioning the document to plain English, reducing complexity, and adding clarity regarding the roles and responsibilities of committee members.

## **Analysis**

Staff recommends the following changes:

- Removal of mere formalisms such as the archaic “whereas” and “resolved” preambles and associated recital verbiage providing no added substance within the context of this Resolution;
- Substitution of “Approve” for “Conduct” in clause (3) as the more appropriate characterization of the Committee’s role in the strategic asset allocation process;
- Deletion of clause (5) (“approve and oversee asset class strategic plans and portfolio construction guidelines”) as too granular for committee oversight purposes;
- Deletion of the explanation of the liquidity-management concept in clause (8) as both too granular and an outlier – we do not provide explanations of other concepts/terms;
- Deletion of clause (10) (oversee selection process and performance of external managers and non-board consultants) as this is the role of management, which must be held accountable;
- Deletion of clause (13) (oversee investment office risk assessment and control environment) – same reason;
- Miscellaneous style, usage, and grammar fixes.

Any revisions to the Delegation Resolution that the Committee wishes to make will be incorporated and brought back for consideration and approval at a subsequent meeting.

## **Budget and Fiscal Impacts**

Not Applicable.

## **Benefits and Risks**

The primary benefits of the proposed changes include the clear articulation of the Committee’s authority as well as a more precise delineation of the Committee’s role vis-à-vis staff. Staff does not perceive any risks.

## **Attachments**

Attachment 1 – Investment Committee Delegation Resolution

Attachment 2 – Investment Committee Delegation Resolution – Track Changes

Attachment 3 – Board Investment Consultant Opinion Letter – Wilshire Associates

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