



Investment Committee

Agenda Item 8b

November 16, 2020

Item Name: Consultant Review of CalPERS Divestments

Program: Total Fund

Item Type: Information

Executive Summary

CalPERS' Total Fund Investment Policy requires a comprehensive review of CalPERS divestments by the Board's General Pension Consultant on an annual basis. Wilshire Associates' annual analysis of CalPERS' divestment activities as of June 30, 2020 is provided as Attachment 1 and Attachment 2.

Strategic Plan

A periodic review of existing CalPERS divestments promotes the CalPERS Strategic Plan's goal of strengthening long-term pension-fund sustainability by supporting the Investment Committee in evaluating whether existing investment strategies continue to support the System's investment objectives.

Investment Beliefs

This item supports CalPERS Investment Belief 9 – that risk is multifaceted and not fully captured through measures such as volatility or tracking error and that, as a long-term investor, CalPERS must consider risk factors that emerge slowly over long time periods. Translated in terms of portfolio management, CalPERS is obligated to seek out and implement the portfolio construction methods that best serve our mission – the sustainable delivery of promised pension benefits. Periodic review of investment outcomes, including policy-level divestment programs, through disciplined processes supports accountability and provides an opportunity for corrective action if warranted.

Background

This report provides an updated financial analysis of CalPERS' divestments and takes into consideration the "5-year affirmation" process for active CalPERS divestments.

Analysis

Additional information is provided in Attachment 1 and 2.

Budget and Fiscal Impacts

Not Applicable

Benefits and Risks

Benefits associated with periodic review of CalPERS' divestment decisions are as follows:

- Establishment of a baseline against which trends and economic impacts to CalPERS portfolios can be systematically monitored
- Support for the committee members in meeting their fiduciary obligations

Staff has not identified any risks associated with this agenda item.

Attachments

Attachment 1 – Wilshire Associates Financial Analysis of CalPERS' Divestment Programs (as of June 30, 2020)

Attachment 2 – Wilshire Associates Financial Analysis of CalPERS' Divestment Programs Presentation

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