



Agenda Item 5a

March 18, 2013

ITEM NAME: Review of Investment Committee Delegation

PROGRAM: Board Governance

ITEM TYPE: Committee Governance – Action

RECOMMENDATION

Recommend proposed changes to the Investment Committee Delegation for Board consideration and approval at the April Board meeting.

EXECUTIVE SUMMARY

The Board of Administration Governance Policy requires an annual review of the Board delegation to the Investment Committee. The Chair, Vice Chair and senior Investment staff conducted a review of the delegation, recommended changes to the delegation are set forth in Attachment 1.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan goal to cultivate a high-performing, risk-intelligent and innovative organization. Conducting periodic reviews of delegation documentation supports the Investment Committee in maintaining current and accurate governance documents.

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 CalPERS Board of Administration.

In September 2011, a final report was presented to the Board which offered many recommendations that were subsequently included in the Board of Administration Governance Policy, including a provision that committee delegations be reviewed annually. The Board Governance Policy is provided as Attachment 2.

In December 2011, Board of Administration committee delegation resolutions were updated and approved.

ANALYSIS

After a review by the Investment Committee Chair, Vice Chair and senior Investment staff, staff is recommending one revision to Resolution B. (3) in the Investment Committee Delegation at this time. The Investment Committee's role regarding Strategic Asset Allocation should be to "conduct" the Strategic Asset Allocation, instead of "approve" the Strategic Asset Allocation. This change will ensure the proper power is being exercised by the Investment Committee with respect to Strategic Asset Allocation. If the Investment Committee approves this change, staff will bring an amended Delegation to the Board for review and approval at the April meeting.

BENEFITS/RISKS

Conducting a periodic review of the Investment Committee Delegation is consistent with good governance principles and mitigates operational and reputational risks. No risks are associated with confirming the current Investment Committee Delegation change at this time.

ATTACHMENTS

Attachment 1 – Board of Administration Delegation Resolution No. IC-11-01
Attachment 2 – Board of Administration Governance Policy
Attachment 3 – Consultant Opinion Letter

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