



April 15, 2013

**ITEM NAME:** Discussion of Investment Beliefs

**PROGRAM:** Total Fund

**ITEM TYPE:** Investment Committee Workshop – Information

**EXECUTIVE SUMMARY**

The Investment Beliefs Workshop (Workshop) is one in a series of discussions designed to facilitate the adoption of Investment Beliefs for CalPERS. This workshop will focus on interview themes and Investment Committee (IC) discussion of contentious and unsettled themes along with a presentation of Senior Investment Office Staff (Staff) views on these themes. The Workshop discussion will be used to develop straw-man Investment Beliefs that will be discussed at the Board's July offsite. The goal is for the IC to adopt a set of Investment Beliefs in the Fall of 2013.

**STRATEGIC PLAN**

This agenda item supports the CalPERS Strategic Plan to improve long-term pension and health benefit sustainability. Specifically, the adoption of a stronger Investment Beliefs framework will provide a consistent foundation for investment decision making and strategic asset allocation.

**BACKGROUND**

The CalPERS Investment Office conducted discussions over the past two years to develop potential CalPERS investment beliefs. In November 2012, Towers Watson (TW) was engaged to facilitate the development of Investment Beliefs with the CalPERS Investment Committee (IC).

During the first phase of the Investment Beliefs project, TW facilitated in-depth one-on-one interviews with IC members, CalPERS Executives and Staff. In addition, an Investment Beliefs Stakeholder Panel provided a forum for CalPERS stakeholders (Employer Representative, Labor Representative and Pension Management Practitioner Representative) to engage in dialogue and share their perspectives on Investment Beliefs.

We are now embarking on phase two of the Investment Beliefs Project. The analysis of the CalPERS IC and Staff beliefs is clustered into themes and aims to become more practical in application. In particular, there is a focus on themes that have contentious and unsettled elements that require resolution. This Workshop will enable the IC to discuss contentious and unsettled themes and to understand various

points of view. Staff has conducted a similar exercise and Staff views will be shared with the IC as input to their deliberations.

Through the following remaining activities, the IC and Staff plan to adopt an Investment Beliefs framework in the Fall of 2013.

- Facilitate thorough discussion of the Sustainability factors– Environmental, Social and Governance (ESG) – and how they relate to investment beliefs at the June IC meeting
- Discuss straw-man beliefs with both Board and Staff at the July Board offsite
- Adopt a set of Investment Beliefs at the September IC meeting

**ATTACHMENTS**

Attachment 1 – CalPERS Investment Beliefs Project, Board Working Session

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