

CalPERS Investment Policy for Supplemental Income Plans

Effective Date

This policy is effective as of October 1, 2022 and supersedes all previous Supplemental Income Plans (SIP) policies.

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Introduction

The California Public Employees' Retirement System (CalPERS) Total Fund Investment Policy, adopted by the CalPERS Investment Committee (Committee), sets forth CalPERS' overarching investment beliefs, purposes, and objectives with respect to all its investment programs.

This document sets forth the investment policy (Policy) for the CalPERS Supplemental Income Plans. The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent and careful action while managing the Program. Additionally, use of this Policy assures sufficient flexibility in managing investment risks and returns associated with this Program.

Under the SIP, CalPERS administers various deferred compensation and defined contribution plans for employees of participating public agencies, schools and the State of California which includes, the CalPERS 457 Deferred Compensation Plan (the 457 Plan), and the Supplemental Contributions Program (the SCP), collectively the SIP.

This Policy should be read in conjunction with and is subject to applicable conditions contained within the CalPERS [Total Fund Investment Policy](#). This Policy shall also be managed to comply with all applicable Investment Office policies.

Strategic Objective

The SIP objective is to help provide Participants with supplemental income during retirement consistent with the Participants' individual circumstances, goals, time horizons and risk tolerance. For the self-directed plans under the SIP, the Committee intends to accomplish this objective by offering the following three tiers of options:

- A. Tier I will include customized Target Retirement Date Funds which are designed for Participants who do not wish to make active asset allocation decisions. The asset allocation of each Target Retirement Date Fund will change over time based on a Participant's expected time frame for entering retirement. In addition to offering Participants an all-in-one solution for retirement investing, these Target Retirement Date Funds will serve as the designated "default" option for investment of contributions by Participants who do not provide affirmative instruction on how to invest their contributions. CalPERS will develop the Target Retirement Date Funds and manage them in accordance with this Policy. Customization of the Target Retirement Date Funds will be based on CalPERS member demographic data, pension retirement income as the primary retirement income source, and average retirement age among all membership classifications.

The investment options offered in the CalPERS Target Retirement Date Funds will be broadly diversified to minimize the effect of short-term losses within any mix of investments. The objective of these funds, in combination with defined benefit pension income and possibly social security, is to help participants achieve retirement adequacy.

- B. Tier II will include a Core Fund lineup for Participants who wish to actively design their own asset allocation based on their individual circumstances, goals, time horizons and risk tolerance. The Core Funds are intended to offer an appropriate range of lower-fee

investment alternatives with materially different risk and return characteristics, which are style neutral, passively managed and provide exposure to major asset classes that are highly correlated with the market. The Core Fund investment lineup will include the following major asset classes:

1. U.S. Equity
 2. International Equity
 3. U.S. Short-Term Fixed Income
 4. U.S. Fixed Income
 5. Inflation Sensitive/ Real Asset
 6. Cash Equivalent
- C. Tier III is the Self-directed brokerage window, which offers Participants a wide array of investment options in addition to the Core menu, if desired. It is generally designed for investors who have investing experience, are comfortable choosing from a wide variety of investments and understand how to research and evaluate a wide variety of investments on their own. The investments available under the Self-directed brokerage window are not endorsed, monitored, or selected by the CalPERS staff or the Committee.

Responsibilities

Details regarding various levels of responsibility for this Program are provided in Appendix 1, Reporting to the Investment Committee, and Appendix 2, Investment Responsibilities.

Investment Approaches & Parameters

A. Performance Objective and Benchmark

The benchmark for the Funds is specified in the CalPERS Total Fund Investment Policy benchmark appendix.

B. Strategic Asset Allocation Process

A comprehensive Asset Allocation Strategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Total Fund Investment Policy, Asset Allocation Strategy Section, and Reporting to the Investment Committee appendix. As further described in the Asset Allocation Strategy Section, the schedule may be altered to accommodate pending Board actions.

C. Excessive Short-Term Trading

The overall investment plan and the available individual investment options under the SIP are designed to help Participants achieve their long-term retirement income goals. Excessive short-term or disruptive trading of the funds is counter-productive to the long-term investment design of the SIP. To achieve a balance between the right of individual Participants to self-direct their investments, and the right of all Participants to enjoy appropriate growth of their assets in proportion to the risk they bear and at reasonable cost

through investment in prudently managed investment funds, the SIP will employ administrative and procedural measures to restrain the use of excessive short-term or disruptive trading strategies by individual Participants that may occur at the expense of other Participants and result in the dilution of Participant value in the funds.

D. Restrictions, Prohibitions and Authorized Securities

Restrictions, Prohibitions and Authorized Securities of the funds are governed by the CalPERS Total Fund Investment Policy for internal funds and defined in each Manager’s contract with CalPERS for external funds.

All transactions involving derivatives are governed by the CalPERS Total Fund Investment Policy, Global Derivatives and Counterparty Risk Section.

Investment Constraints/Limitations

See Appendix 3 for program investment constraints/limitations.

Glossary of CalPERS Specific Terms

Bold italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the [CalPERS Specific Glossary of Terms](#).

Policy Document History

See Appendix 4 for historical details of Investment Committee adoption and revisions of this Policy.

Appendices

Appendix 1: Reporting to the Investment Committee

The tables below provide details regarding reporting to the Investment Committee:

1. Investment Office Staff
2. ***General Pension Consultant***

Table 1: Investment Office Staff Reporting Responsibilities

Ref #	Report Content	Frequency
1.	Staff shall provide a review that will include, but is not limited to, asset class allocations compared to Policy targets and ranges (as applicable), current market value, performance, and risk metrics.	No less than annually
2.	Staff shall report concerns, problems, material changes, and all violations of the Policy. These reports shall include explanations of any violations and appropriate recommendations for corrective action.	At the next Committee meeting, or sooner if deemed necessary

Table 2: General Pension Consulting Reporting Responsibilities

Ref #	Report Content	Frequency
1.	The Consultant shall monitor, evaluate, and report on the performance of the Program relative to the benchmarks and this policy and other applicable CalPERS Policies.	No less than annually

Appendix 2: Investment Responsibilities

The following sections provide details regarding investment related responsibilities for the:

- Investment Committee
- Investment Office Staff
- **General Pension Consultant**
- **External Manager**

Investment Committee Responsibilities

1. Approve asset classes for investment and set a policy target allocation, permissible range, and benchmark for each asset class.

Investment Office Staff Responsibilities

1. All aspects of portfolio management, including monitoring, trading, analyzing, evaluating performance relative to the appropriate benchmark, and selecting and contracting with managers.
2. Manage the asset class allocations within Policy ranges approved by the Committee, in accordance with Policy guidelines.
3. Where applicable provide asset allocation strategy recommendations to the Committee including selection of asset classes, benchmarks, Policy targets and ranges.
4. Monitor internal and external managers in the implementation of and compliance with the Policy.
5. Develop and maintain investment procedures, program guidelines, and sub-program guidelines.

General Pension Consultant Responsibilities

1. Provide independent perspective and counsel to the Committee, to include routine communication with the Investment Office Staff and periodic reviews of processes and procedures.

External Manager Responsibilities

1. Manage the Funds in accordance with each manager’s contract with CalPERS and the Policy.
2. Communicate and cooperate with Investment Office Staff and authorized third parties regarding the management of the Funds.

Appendix 3: Investment Constraints/Limitations

Asset Class Policy Targets and Ranges

The policy asset class targets and permissible ranges for the Target Retirement Date Funds are shown in the glide path below (Table 3). Each Fund has asset allocation targets based on an expected retirement year. The Funds' asset allocation targets are adjusted annually by moving each Fund to the asset allocation one row down in the glide path table. Asset allocations are advanced from October 1 of the prior year. Upon adoption of significant policy changes, staff will implement the changes within a reasonable time period.

Table 3: Target Retirement Date Funds Asset Allocation Glide Path

Year	Target Retirement Date Fund	Global Equity* Target	Global Equity* Range	U.S. Fixed Income Target	U.S. Fixed Income Range	Real Assets Target	Real Assets Range	Cash Target	Cash Range
2023	2065	94%	+/-5.00	3%	+/-1.00	1%	+/- 0.50	2%	+/-1.00
2024	2065	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2025	2065	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2026	2065	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2027	2065	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2023	2060	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2024	2060	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2025	2060	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2026	2060	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2027	2060	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2023	2055	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2024	2055	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2025	2055	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2026	2055	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2027	2055	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2023	2050	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2024	2050	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2025	2050	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2026	2050	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2027	2050	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2023	2045	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2024	2045	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2025	2045	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2026	2045	94%	+/- 5.00	3%	+/- 1.00	1%	+/- 0.50	2%	+/- 1.00
2027	2045	94%	+/- 5.00	3%	+/- 2.00	1%	+/- 0.50	2%	+/- 1.00
2023	2040	92%	+/- 5.00	5%	+/- 2.00	1%	+/- 0.50	2%	+/- 1.00
2024	2040	89%	+/- 5.00	7%	+/- 2.00	1%	+/- 0.50	3%	+/- 1.00
2025	2040	87%	+/- 5.00	9%	+/- 2.00	1%	+/- 0.50	3%	+/- 1.00

Year	Target Retirement Date Fund	Global Equity* Target	Global Equity* Range	U.S. Fixed Income Target	U.S. Fixed Income Range	Real Assets Target	Real Assets Range	Cash Target	Cash Range
2026	2040	85%	+/- 5.00	11%	+/- 2.00	1%	+/- 0.50	3%	+/- 1.00
2027	2040	82%	+/- 5.00	13%	+/- 2.00	1%	+/- 0.50	4%	+/- 1.00
2023	2035	80%	+/- 5.00	15%	+/- 2.00	1%	+/- 0.50	4%	+/- 1.00
2024	2035	76%	+/- 5.00	18%	+/- 4.00	2%	+/- 0.50	4%	+/- 1.00
2025	2035	73%	+/- 5.00	20%	+/- 4.00	2%	+/- 1.00	5%	+/- 1.00
2026	2035	71%	+/- 5.00	22%	+/- 4.00	2%	+/- 1.00	5%	+/- 1.00
2027	2035	69%	+/- 5.00	24%	+/- 4.00	2%	+/- 1.00	5%	+/- 1.00
2023	2030	66%	+/- 4.00	26%	+/- 4.00	2%	+/- 1.00	6%	+/- 1.00
2024	2030	64%	+/- 4.00	28%	+/- 4.00	2%	+/- 1.00	6%	+/- 2.00
2025	2030	62%	+/- 4.00	30%	+/- 4.00	2%	+/- 1.00	6%	+/- 2.00
2026	2030	60%	+/- 4.00	32%	+/- 4.00	2%	+/- 1.00	6%	+/- 2.00
2027	2030	57%	+/- 4.00	34%	+/- 4.00	2%	+/- 1.00	7%	+/- 2.00
2023	2025	55%	+/- 4.00	36%	+/- 4.00	2%	+/- 1.00	7%	+/- 2.00
2024	2025	53%	+/- 4.00	38%	+/- 4.00	2%	+/- 1.00	7%	+/- 2.00
2025	2025	50%	+/- 4.00	40%	+/- 4.00	2%	+/- 1.00	8%	+/- 2.00
2026	2025	47%	+/- 4.00	42%	+/- 4.00	3%	+/- 1.00	8%	+/- 2.00
2027	2025	44%	+/- 4.00	45%	+/- 4.00	3%	+/- 1.00	8%	+/- 2.00
2023	2020	42%	+/- 4.00	46%	+/- 4.00	3%	+/- 1.00	9%	+/- 2.00
2024	2020	39%	+/- 4.00	49%	+/- 4.00	3%	+/- 1.00	9%	+/- 2.00
2025	2020	37%	+/- 4.00	51%	+/- 4.00	3%	+/- 1.00	9%	+/- 2.00
2026	2020	34%	+/- 4.00	53%	+/- 4.00	3%	+/- 1.00	10%	+/- 2.00
2027	2020	32%	+/- 4.00	55%	+/- 4.00	3%	+/- 1.00	10%	+/- 2.00
2023	Income	32%	+/- 4.00	55%	+/- 4.00	3%	+/- 1.00	10%	+/- 2.00
2024	Income	32%	+/- 4.00	55%	+/- 4.00	3%	+/- 1.00	10%	+/- 2.00
2025	Income	32%	+/- 4.00	55%	+/- 4.00	3%	+/- 1.00	10%	+/- 2.00
2026	Income	32%	+/- 4.00	55%	+/- 4.00	3%	+/-1.00	10%	+/- 2.00
2027	Income	32%	+/- 4.00	55%	+/- 4.00	3%	+/-1.00	10%	+/- 2.00

*Target allocations to U.S. Equity and International Equity are based on their respective market capitalization weights within the MSCI ACWI IMI Index, as of June 30 each year.

Appendix 4: Policy Document History

Table 4: SIP Policy Revision History

Date	Detail
2007-10-12	Approved by the Policy Subcommittee
2007-12-17	Adopted by the Investment Committee
2008-12-15	Revised by the Policy Subcommittee

Date	Detail
2009-02-17	Approved by the Investment Committee
2009-06-16	Administrative changes made due to Policy Review Project
2009-09-29	Administrative changes due to adoption of Benchmark Policy
2012-08-13	Approved by the Investment Committee
2013-06-17	Approved by the Investment Committee
2013-12-03	Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy
2014-05-15	Administrative changes to standardize reporting frequencies to the Investment Committee to “no less than annually”
2014-05-15	Administrative changes to reflect the Policy Glossary of Terms Update Project
2015-04-14	Administrative changes to reflect closure of the State Peace Officers & Firefighters (POFF) Fund
2016-03-14	Approved by the Investment Committee The Supplemental Income Plans Policy was reformatted to align with investment policy updates that were incorporated during the Investment Policy Revision Project. The SIP CalPERS Target Retirement Date Funds Policy was merged into the Supplemental Income Plans Policy and the stand-alone Target Retirement Date Funds Policy was repealed.
2018-10-01	Administrative changes to target retirement date funds glide path as approved by the Committee on April 16, 2018 (agenda item 5a), as well as a handful of ministerial changes.
2019-01-04	Administrative changes made to migrate policy into an accessible template.
2022-10-01	Administrative changes to target retirement date funds glide path as approved by the Committee on June 13, 2022 (agenda item 5a).