



Consent

Agenda Item 3b

June 11, 2012

ITEM NAME: Terminated Agency Pool Policy

PROGRAM: Affiliate Investment Programs Division

ITEM TYPE: Policy & Delegation – Consent Action

RECOMMENDATION

Approve the Statement of Investment Policy for the Terminated Agency Pool, effective July 1, 2012. See Attachment 1, Terminated Agency Pool Policy and Attachment 2, Wilshire Associates Opinion Letter.

EXECUTIVE SUMMARY

Currently the Terminated Agency Pool exists within the Public Employees' Retirement Fund (PERF) to provide for the payment of benefits to members who are employees of agencies which have terminated their contracts with CalPERS.

The attached Statement of Investment Policy provides the formal policy on the investment strategy of the Terminated Agency Pool.

BACKGROUND

When a contracting agency terminates its CalPERS contract the assets and liabilities of the agency may be merged into the Terminated Agency Pool. As statute provides no recourse for CalPERS in the event of a financial shortfall staff developed investment strategies to mitigate the possibility of program underfunding.

On May 14, 2012, the Investment Committee considered and adopted an asset allocation strategy that matches forecasted program cash flows with program liabilities using a conservative investment strategy. The attached policy documents the adoption of that decision.

The following table indicates the approved allocations and recommended ranges for each asset class:

Terminated Agency Pool		
Asset Class	Policy Allocation	Policy Range
U.S. Treasuries	49%	± 10%
Inflation-Linked Securities	46%	± 15%
Cash	5%	± 5%

The policy ranges are sufficiently large to allow for a buy and hold strategy throughout the year even when the Inflation-Linked Securities are increasing in value in a high inflation environment relative to the other asset classes. Rebalancing occurs annually.

BENEFITS/RISKS

This new policy is consistent with CalPERS Total Fund Statement of Investment Policy and helps ensure that investors, managers, consultants and other participants selected by CalPERS take prudent and careful action while managing the program.

ATTACHMENTS

Attachment 1 – Statement of Investment Policy for the Terminated Agency Pool
Attachment 2 – Wilshire Associates Opinion Letter

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