



## Agenda Item 3b

October 15, 2012

**ITEM NAME:** Revision of the Supplemental Income Plans (SIP)  
CalPERS Risk-Based and Target Retirement Date Funds  
Policy

**PROGRAM:** Affiliate Investment Programs

**ITEM TYPE:** Policy & Delegation – Consent Action

### **RECOMMENDATION**

Approve the revised Statement of Investment Policy for Supplemental Income Plans (SIP) CalPERS Risk-Based and Target Retirement Date Funds Policy as shown in Attachment 1.

Wilshire Associates opinion letter is included as Attachment 2.

### **EXECUTIVE SUMMARY**

The revised policy clarifies the SIP Target Retirement Date Funds glidepath by better illustrating gradual adjustments to target asset allocations per fund over time and reflects current practice.

### **BACKGROUND**

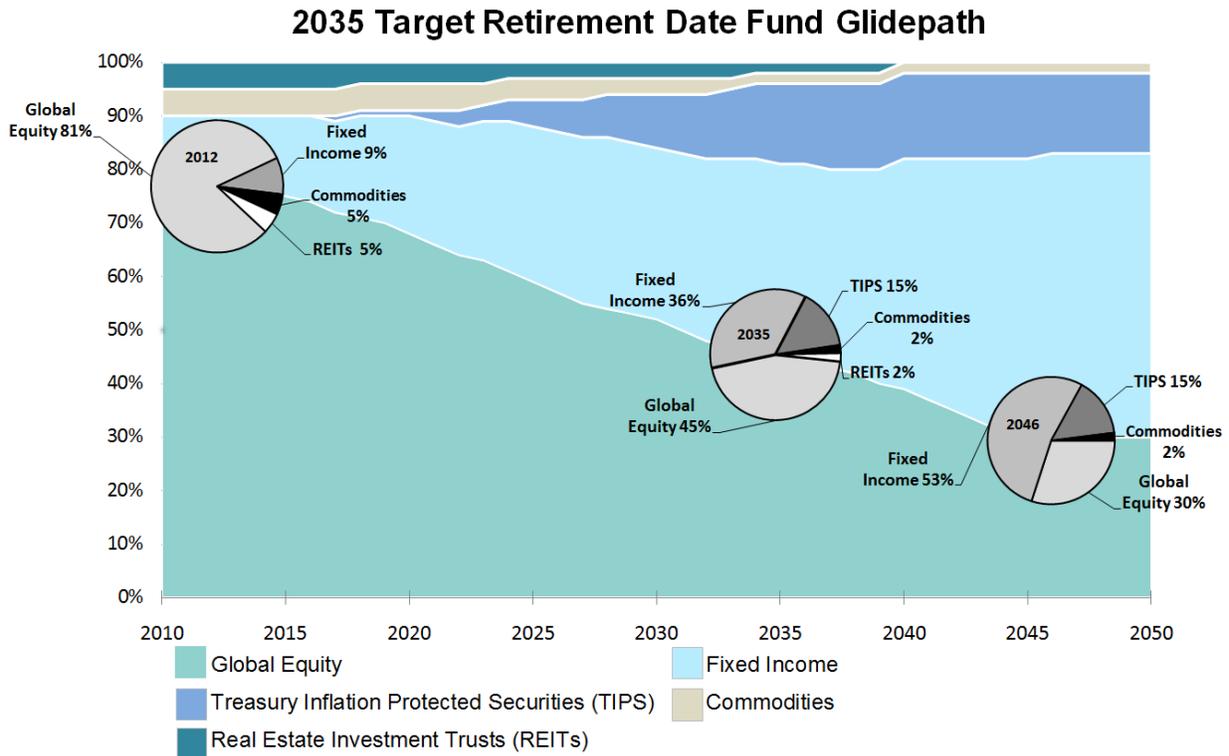
On February 19, 2008, the Investment Committee approved the creation of asset allocation funds for the SIP fund lineup. On June 16, 2008, staff recommended the adoption of the Statement of Investment Policy for Supplemental Income Plans CalPERS Risk-Based and Target Retirement Date Funds. The Investment Committee approved the adoption of the policy on August 18, 2008.

### **ANALYSIS**

Target retirement date funds are a series of diversified funds, each representing an assumed retirement date for participants. Each fund consists of a pre-determined mix of assets that will adjust over time, expressed as a "glidepath." Glidepaths typically become more conservative over time by reducing the percentage invested in equities while increasing the percentage invested in fixed income securities.

The 2035 Target Retirement Date Fund movement along the glidepath shown below demonstrates these principles. Currently in 2012, the 2035 Target Retirement Date Fund consists of a higher percentage of Global Equity at 81%. Over time, the 2035 Fund becomes more conservative with an increased percentage of assets allocated to fixed income and Treasury Inflation Protected Securities (TIPS). At the target retirement year of 2035, there is an approximate equal mix of Global Equity and fixed

income securities (including TIPS). The 2035 Target Retirement Date Fund's most conservative asset allocation occurs in year 2046, a full ten years after the retirement date with Global Equity at 30%.



The revised policy (Attachment 1) includes a detailed Target Retirement Date Fund glidepath for years 2012 to 2016. Annually, each of the Target Retirement Date Funds glides toward more conservative asset allocations. Eventually, all the Target Retirement Date Funds have asset allocations that match those of the Target Income Fund. When this occurs, the Target Retirement Date Fund merges with the Target Income Fund.

The revised policy provides clarity by aligning Target Retirement Date Funds with asset allocations. The previous policy showed asset allocations according to age rather than target retirement date funds.

**BENEFITS/RISKS**

The benefit of this policy revision is to clarify the current practice of showing asset allocation targets and ranges by target retirement date fund instead of by age. There are no additional risks associated with the policy.

**ATTACHMENTS**

Attachment 1 – Revised SIP CalPERS Risk-Based and Target Retirement Date  
Funds Policy

Attachment 2 – Wilshire Associates Opinion Letter

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