



Consent

Agenda Item 3c

December 10, 2012

ITEM NAME: Total Fund Benchmarks Policy Revision to Include the Multi-Asset Class Partners Program

PROGRAM: Total Fund

ITEM TYPE: Policy and Delegation – Consent Action

RECOMMENDATION

Adopt changes to the Total Fund Benchmarks Policy to include the Multi-Asset Class Partners (MAC) Program and the addition of the MAC Program Policy Benchmark.

EXECUTIVE SUMMARY

The MAC Program Investment Policy was approved by the Investment Committee on October 15, 2012. This item seeks adoption of the corresponding revision to the Total Fund Benchmarks Policy to include the MAC Program benchmark and the addition of the MAC Program Policy Benchmark into the CalPERS Total Fund Policy Benchmark.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan goal to improve long-term pension and health benefit sustainability. The adoption of the Total Fund Benchmarks Policy revision will ensure that CalPERS is able to effectively achieve the System's investment objectives through clear and current investment policy documentation.

BACKGROUND

The MAC Program's objectives as presented in the Investment Committee on October 15, 2012, are to outperform the CalPERS assumed rate of return with equal or less risk than the Total Fund and to engage in a strategic partnership with the selected external managers. CalPERS long-term target return is currently 7.5%, and staff recommended this absolute return target in the MAC Investment Policy as the appropriate choice of benchmark for the Program.

ANALYSIS

To properly incorporate the MAC Program benchmark into the Total Fund Policy Benchmark, the Total Fund Policy Benchmark will be scaled to reflect the target weights of the Asset Classes and the target weight of the MAC Program.

BENEFITS/RISKS

The adoption of the Total Fund Benchmarks Policy revision allows alignment of the Total Fund benchmark with the newly approved MAC Program. There are no risks associated with the adoption of the revised Total Fund Benchmarks Policy.

ATTACHMENTS

Attachment 1 – Revised Total Fund Benchmarks Policy

Attachment 2 – Wilshire Associates Opinion Letter

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