



Agenda Item 8a

August 19, 2013

ITEM NAME: Proposed Adoption of Judges' Retirement Fund Policy - Initial Review

PROGRAM: Affiliate Investment Programs

ITEM TYPE: Policy & Delegation – Information

EXECUTIVE SUMMARY

The California Public Employees' Retirement Law (PERL) provides authority for the administration and investment of the Judges' Retirement Fund (JRF). Staff is proposing a specific policy for the Fund to improve transparency and alignment with the other Affiliate Funds, which have specific investment policies. Staff delegations associated with this item are also being presented at the August 19, 2013 Investment Committee meeting in consent action item 3b, "Revision of the Affiliate Investment Programs Delegation for Professional Staff."

Staff is presenting the Statement of Investment Policy for the JRF (Attachment 1) for initial review. The Wilshire Associates Opinion Letter, regarding the proposed specific policy, is provided as Attachment 2.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan to improve long-term pension and health benefit sustainability. The JRF Policy clarifies the Fund's purpose, investment objectives, responsibilities, investment approach and parameters.

BACKGROUND

The JRF was established under the Judges' Retirement System Law to provide retirement and death benefits for State Supreme and Appellate Court justices, and Superior Court and Municipal Court judges who were appointed or elected before November 9, 1994. In accordance with Section 75109.5 of the Judges' Retirement System Law, CalPERS actuarial staff provides periodic actuarial valuation reports for the JRF to the Pension & Health Benefits Committee, the Governor and the Legislature. Due to its current pay-as-you-go status where benefits are not prefunded, the Fund is fully invested in a short-term investment fund to provide liquidity for benefit payments and administrative expenses.

ANALYSIS

CalPERS Affiliate Funds staff is reviewing all CalPERS Affiliate Funds to institute trust level investment policies. The attached policy is for the JRF. The Fund requires liquidity and is currently invested in the Short-Term Investment Fund managed by State Street Global Advisors via the State Street Bank & Trust custody contract. Staff has determined that it is prudent to adopt an investment policy for the Fund to provide consistency and transparency with the other Affiliate Funds (Judges' Retirement System II Fund (JRS II), Legislators' Retirement Fund (LRS), Long-Term Care Fund (LTC), Public Employees' Health Care Fund (HCF), Annuitants' Health Care Coverage Fund (aka California Employers' Retiree Benefit Trust Fund (CERBT)), and the Supplemental Income Plans). This policy provides transparency into the purpose of the Fund along with its investment objectives, approaches and parameters.

The Statement of Investment Policy for the JRF establishes a trust-level policy for the JRF.

BUDGET AND FISCAL IMPACTS

Not Applicable

BENEFITS/RISKS

The adoption of the JRF Policy will provide transparency and consistency across all of CalPERS Affiliate Investment Programs. Failure to adopt the investment policy will result in policy inconsistency across the Affiliate Funds.

ATTACHMENTS

Attachment 1 – Statement of Investment Policy for Judges' Retirement Fund
Attachment 2 – Wilshire Associates' Opinion Letter

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