



Agenda Item 7a

December 16, 2013

ITEM NAME: Proposed Repeal of Barclays Aggregate Program Policy – Initial Review

PROGRAM: Global Fixed Income

ITEM TYPE: Policy & Delegation – Information

EXECUTIVE SUMMARY

This agenda item is an initial review of the proposed repeal of the Barclays Aggregate Policy as there are no clients remaining and there are no more assets tied to this investment policy.

STRATEGIC PLAN

This agenda item supports the CalPERS Strategic Plan goal to improve long-term pension and health benefit sustainability.

BACKGROUND

The Supplemental Income Plans (SIP) and the Health Care Fund (HCF) have historically invested in an internally managed fixed income strategy under the Barclays Aggregate Policy. In late 2011, both the SIP and HCF were a part of a Strategic Review to find external management that would offer a more cost efficient, less complex solution than an internally managed group trust alternative.

In 2012, State Street Global Advisors (SSgA) was selected through a request for proposal process to provide portfolio management for certain funds, including the SIP and HCF. In early 2013, staff completed a Strategic Review of the SIP to gauge the value proposition and competitiveness of the design and fund lineup since its implementation in 2008. Staff worked with RV Kuhns and recommended a new investment fund lineup utilizing SSgA passive index funds.

On June 17, 2013, the Investment Committee (IC) approved the new SIP fund lineup. Subsequent to this approval, all assets from the SIP and the HCF plans were transitioned from the Barclays Aggregate Policy fixed income strategy and into SSgA managed index funds.

ANALYSIS

The Barclays Aggregate Program (BCA) was originally adopted as the fixed income investment allocation vehicle for the HCF and was later incorporated into the SIP fund lineup in 2007. Assets were transferred from BCA to the SSgA passive index funds beginning in October 2013 with the last of the assets

transferred on October 17, 2013. As a result of the transition, the BCA no longer holds any assets and no assets are intended to be held in the foreseeable future.

BUDGET AND FISCAL IMPACTS

Not Applicable

BENEFITS/RISKS

Repeal of the Barclays Aggregate Policy is not anticipated to have any associated risks. Staff does not see any risk to eliminating this policy as one could resurrect the policy if the IC and staff decide to bring assets back in-house. Additionally, Global Fixed Income staff believes repealing this policy would increase staff efficiency towards other critical workload.

ATTACHMENTS

Attachment 1 – Strike-through version of the Barclays Aggregate Program Policy

Attachment 2 – Wilshire Associates Opinion Letter

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