Investment Committee

California Public Employees' Retirement System

Consent

Agenda Item 4e

June 16, 2014

ITEM NAME: Terminated Agency Pool Rebalance Update

PROGRAM: Asset Allocation and Risk Management

ITEM TYPE: Asset Allocation, Performance & Risk – Information Consent

EXECUTIVE SUMMARY

The Statement of Investment Policy for the Terminated Agency Pool (Policy) requires that the Investment Office and Actuarial Office collaborate to rebalance the Terminated Agency Pool (TAP) portfolio annually. This item notifies the Investment Committee of an impending policy violation as the original timeframe for the completion of this rebalance is not in alignment with the current status of the underlying actuarial work. The primary performance objective of the TAP portfolio is to "immunize" against the TAP program liabilities; thus, the actuarial analysis is a critical component of the rebalance process.

STRATEGIC PLAN

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

BACKGROUND

The Committee adopted the TAP Policy in December 2012. The initial TAP portfolio was implemented effective July 1, 2013. The Policy outlines several reporting responsibilities, including the collaboration of CalPERS Actuarial Office and Investment Office staff to conduct an annual rebalance and to perform regular reviews of the liabilities, funded status, and asset allocation of the TAP.

ANALYSIS

Staff expects the policy violation will be noted within the "Monthly Update – Investment Compliance" report covering the July 2014 period (presented at the September 2014 Committee meeting). The violation will be in response to a delay in the rebalance of the TAP. While originally targeted for June 2014, the rebalance of this portfolio will be delayed until later this year as the actuarial work is completed.

Staff will provide a status update to the Committee in conjunction with the asset allocation review work for the Affiliate Funds, currently scheduled for August and September 2014.

BUDGET AND FISCAL IMPACTS
Not Applicable

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