

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
STATEMENT OF INVESTMENT POLICY**

**FOR  
JUDGES' RETIREMENT FUND**

~~May 15, 2014~~ September 15, 2014

*This policy is effective immediately upon adoption and supersedes all previous Judges' Retirement Fund policies.*

**I. PURPOSE**

The California Public Employees' Retirement System ("CalPERS") Investment Beliefs Policy and Total Fund Statement of Investment Policy, adopted by the CalPERS Investment Committee ("Committee"), set forth CalPERS overarching investment purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy ("Policy") for the Judges' Retirement Fund. The Judges' Retirement Fund 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. The Judges' Retirement Fund is funded by the State General Fund on a pay-as-you-go basis.

The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent action while managing the Judges' Retirement Fund. Additionally, use of this policy assures sufficient flexibility in managing investment risks and returns associated with this Program.

**II. STRATEGIC OBJECTIVE**

The Judges' Retirement Fund shall be managed to accomplish the following:

- A. Maintain liquidity to meet operational expenses and benefit payments.

**III. RESPONSIBILITIES**

- A. CalPERS Investment Staff ("Staff") is responsible for the following:

- 1. All aspects of portfolio management including monitoring, analyzing, and evaluating performance relative to the appropriate benchmarks.
- 2. Reporting ~~internally~~ to the Committee no less than annually concerning the implementation of this Policy.

3. Overseeing **external managers** secured to provide investment services for the Judges' Retirement Fund.
  4. Creating internally-managed funds and soliciting externally-managed funds for the Judges' Retirement Fund.
  5. Monitoring the implementation of and compliance with Policy. Staff shall report concerns, problems, material changes, and all violations of guidelines and policies at the next Committee meeting, or sooner if deemed necessary. All events deemed materially important will be reported to the Committee immediately. These reports shall include explanations of any violations and appropriate recommendations for corrective action.
- B. External Managers ("Manager") are responsible for aspects of portfolio management as set forth in each Manager's contract with CalPERS and may fulfill the following duties:
1. Communicate with CalPERS Staff, as needed, regarding investment strategies and investment results.
  2. Monitor, analyze, and evaluate performance relative to the agreed upon benchmark.
  3. Cooperate fully with CalPERS Staff, Custodian, and Consultant concerning requests for information.

#### **IV. PERFORMANCE OBJECTIVE AND BENCHMARK**

- A. The benchmark for the Judges' Retirement Fund is specified in the Benchmarks Policy.
- B. The fund will be invested to provide sufficient liquidity for operational expenses and benefit payments.

#### **V. INVESTMENT APPROACHES AND PARAMETERS**

- A. Philosophy and Approach

The Judges' Retirement Fund shall be managed in accordance with the CalPERS Total Fund Statement of Investment Policy and in a manner consistent with the respective investment policy governing each asset class. Such policies approved by the Committee shall specify the method and parameters for implementation and provide for the ongoing monitoring of that asset class.

**B. Strategic Asset Allocation Process**

A comprehensive ~~a~~Asset Allocation sStrategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Statement of Investment Policy for Asset Allocation Strategy, section V.C. Strategic Asset Allocation Process. ~~at a regular interval and will be presented to the Committee for review and approval of the Policy target asset allocations. The Chief Investment Officer ("CIO") may recommend a more frequent analysis if expected returns, risks or liability values have substantially changed since the prior analysis. The CIO may also recommend to the Committee changes in the Policy asset allocation targets.~~

**C. Fund Structure**

When the Judges' Retirement Fund is invested with other CalPERS administered trust assets, the Custodian shall employ a unitized fund structure to maintain separate and distinct historical records and to produce individual net asset values (NAV's) for the Judges' Retirement Fund.

**D. Restrictions, Prohibitions and Authorized Securities**

Restrictions, prohibitions and authorized securities of the Judges' Retirement Fund are defined in the policy governing each asset class or external investment manager guidelines.

All transactions involving derivatives are governed by the Global Derivatives and Counterparty Risk Policy.

**VI. CALCULATIONS AND COMPUTATIONS**

Investors, managers, consultants, and other participants selected by CalPERS shall make all calculations and computations on a market value basis, as recorded by CalPERS Custodian.

**VII. GLOSSARY OF CALPERS SPECIFIC TERMS**

***Italicized*** terms appearing in the Policy are CalPERS specific in nature and are defined in the [CalPERS Specific Glossary of Terms](#)

Adopted by the Investment Committee	August 19, 2013
Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy	December 3, 2013
Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"	May 15, 2014

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Administrative changes to reflect the Policy Glossary of Terms Update Project	May 15, 2014
<u>Approved by the Investment Committee</u>	<u>September 15, 2014</u>

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