

# Investment Portfolio Priorities

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## Summary of Discussion

The purpose of the session is to continue the dialogue with the Board regarding the portfolio priorities concept. Following discussions at the January and July 2015 Board and Executive Offsites, this session will focus on exploring the topics in more detail, including:

- Portfolio priorities in portfolio construction – Evaluating asset segments and the implications for benchmarks and the Asset Liability Management (ALM) process
- Governance implications of focusing on CalPERS’ portfolio priorities

Goal outcomes for this session include:

- A greater understanding of the implications of focusing on CalPERS-specific portfolio priorities, including impacts to investment strategy, governance, communication, and business processes
- A shared understanding of CalPERS’ perceived willingness and ability to embark on a CalPERS-specific path by pursuing the portfolio priorities concept

A Note Regarding the Articles of Interest for this session:

Articles regarding two funds, the European Organization for Nuclear Research (CERN), and the Harvard Management Company, have been included as Articles of Interest for this session. It should be noted that the needs and characteristics of both funds are distinctly different than CalPERS.

Highlights noted in yellow within these articles point to similar ideas that we are discussing as part of the Portfolio Priorities and benchmarks development. The inclusion of these articles is solely to provide the Board with some perspective that may help complement our considerations. They are not prescriptions.

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The materials for this session include:

- External Presenter Biographies
- PowerPoint Presentation
- Background Information
  - “A Governance Framework Designed for Dynamic Asset Allocation: The CERN Pension Fund Model” by Théodore Economou, Grégoire Haenni, and Elena Manola-Bonthond from the *Journal of Investment Consulting*, Vol. 14, No. 1, 2013, pp. 32–37, a publication of Investment Management Consultants Association

The article provides an example of an institution, the CERN Pension Fund, identifying and focusing on its specific priorities and making changes across several key areas to better align its investment program with the needs and priorities of the fund, specifically the objectives, measures, and benchmarks.

- “A Letter from Stephen Blyth PhD '92 – President and CEO of Harvard Management Company” by Stephen Blyth, Harvard Management Company Inc., September 2015

This letter provides an additional example of an institution, in this case the Harvard Management Company, reevaluating its asset allocation approach, setting clear investment objectives, and utilizing multiple benchmarks and measures of success focusing on the long-term needs and priorities of the Harvard Endowment Fund.

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