



Finance and Administration Committee

Agenda Item 6b

September 15, 2020

Item Name: Asset Liability Management Policy Review

Program: Asset Liability Management Program

Item Type: Action

Recommendation

Approve the revised Asset Liability Management (ALM) Policy.

Executive Summary

The purpose of this agenda item is to provide the Board a revised ALM Policy. In April 2017, the Board of Administration approved the ALM Policy to pursue funding the System with an integrated view of pension assets and liabilities. The ALM Policy required the creation of the Asset Liability Management Committee (ALMAC). ALMAC seeks approval of the revised governing ALM Policy.

Strategic Plan

This agenda item supports the 2017-22 Strategic Plan goal to strengthen the long-term sustainability of the pension fund. Approval of the ALM Policy provides the necessary documentation to establish and maintain the ALM Program.

Background

The ALM Policy establishes ALMAC. The revisions in the ALM Policy include minor membership and definition updates. During the July offsite, CalPERS management provided an overview of the proposed calendar for the upcoming ALM cycle, including opportunities for stakeholder input.

Analysis

The ALM Policy provides strategic direction for the ALM Program and describes ALMAC oversight, membership, and activities. There are several proposed changes in the ALM Policy. The Chief Executive Officer and the Chief Operating Investment Officer, now called the Deputy Chief Investment Officer, had significant contributions in the last ALM Cycle and were added to the ALMAC membership. The General Counsel was removed from membership and made an

advisory member. The California Employers' Pension Prefunding Trust did not exist at the time the ALM Policy was created and has been added to the list of affiliate funds in the definitions section.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

The revised ALM Policy defines ALM Program oversight, membership, activities, and will provide for the following benefits:

- Consistent and organized management of the ALM Program
- Cross-enterprise ALM activities carried out in concert

Potential risks exist without the establishment of a revised ALM Policy:

- ALMAC membership unclear
- ALMAC decision-making process undefined
- Difficulty maintaining consistently managed ALM Program

Attachments

Attachment 1 – Asset Liability Management Policy

Attachment 2 – Asset Liability Management Policy Redline

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Michael Cohen
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