



# Investment Committee

## Agenda Item 6a

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**March 18, 2024**

**Item Name:** Mid-Cycle Public Employees' Retirement Fund Asset Liability Management Review

**Program:** Total Fund Portfolio Management

**Item Type:** Action

### **Recommendation**

1. Review and adopt the Capital Market Assumptions
2. Approve an updated Strategic Asset Allocation (SAA) for the PERF Policy Portfolio

### **Executive Summary**

This is a continuation of Information Item 6b of Board Investment Committee Agenda Open Session on November 13, 2023. Staff comes to the recommendation based on the feedback and direction received during the November discussion, and further consultation with the Board consultants.

### **Strategic Plan**

This agenda item supports the CalPERS Strategic Plan goal to strengthen the long-term sustainability of the pension fund. Thoroughly reviewing and adjusting investment strategies in accordance with financial market conditions and our internal capacity ensures that the Fund is maximizing its future expected returns at an acceptable level of risk.

### **Investment Beliefs**

This agenda item supports the following CalPERS Investment Beliefs:

- Investment Belief 2: A long term investment horizon is a responsibility and an advantage;
- Investment Belief 6: Strategic asset allocation is the dominant determinant of portfolio risk and return;

- Investment Belief 7: CalPERS will take risk only where we have a strong belief we will be rewarded for it; and,
- Investment Belief 9: Risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error.

## **Background**

Asset Liability Management (ALM) is the process of strengthening the long-term sustainability of the pension fund with an integrated view of the pension assets and liabilities. The asset side is defined by the SAA where we strive to build a diversified portfolio, over a long-term horizon, in a way that balances the expected risk and return of the Fund.

ALM is conducted every four years with the latest one in 2021. A Mid-cycle review is performed in the mid-point of every ALM cycle.

## **Analysis**

Not Applicable.

## **Budget and Fiscal Impacts**

Not Applicable.

## **Benefits and Risks**

The benefits of reviewing our SAA process and market conditions and adjusting the current SAA are:

1. Assisting the Board to issue strategic direction for managing the Total Fund.
2. Responding swiftly to changes in market conditions and taking advantage of our enhancement in investment capacity to improve the risk-return profile of the Total Fund.
3. Reinforcing Board commitment to existing strategic directions.

The risks of reviewing our SAA process and market conditions and contemplating revision of the current SAA are:

1. Too frequent changes in SAA undermines the long-term, strategic nature of SAA.

## **Attachments**

Attachment 1 – Mid-Cycle Public Employees’ Retirement Fund Asset Liability Management Review.ppt

Attachment 2 – Mid-Cycle Public Employees’ Retirement Fund Asset Liability Management Review March 2024.doc

Attachment 3 - Wilshire Associates Opinion Letter

Attachment 4 - Mid-Cycle Public Employees’ Retirement Fund Asset Liability Management Review.doc     *For Reference Only*

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