



Investment Committee

Agenda Item 7d

March 18, 2024

Item Name: Total Fund Policy Review – First Reading

Program: Total Fund

Item Type: Information

Executive Summary

This item is seeking input from the Investment Committee (Committee) regarding the proposed revisions to the Total Fund Investment Policy (Policy), as part of staff's annual policy review. Following feedback from the Committee, staff will return at a subsequent meeting for a second reading of the Policy.

Strategic Plan

The agenda item supports the CalPERS Strategic Plan to strengthen the long-term sustainability of the fund by supporting the Committee in its oversight role of CalPERS' investment program.

Investment Beliefs

This item supports the following Investment Beliefs:

- Investment Belief 5 – CalPERS must articulate its investment goals and performance measures and ensure clear accountability for their execution
- 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
- Investment Belief 10 – Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives

Background

This item is being brought to the Committee as part of staff's annual policy review. The proposed revisions align the Committee's adopted return rate and strategic asset allocation (SAA), as well as strengthen and facilitate the Fund's governance and accountability to achieve the CalPERS goals and objectives.

Analysis

This year's review resulted in two changes that refine and clarify policy to more appropriately align with the objectives and targets of the Board approved Strategic Asset Allocation:

1) Real Assets

- a. Update risk classifications and ranges for Real Assets and the Infrastructure portfolio.

2) Private Debt

- a. Reclassify strategies and ranges to align with industry standards and portfolio construction.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

The changes support maintenance of a strong governance framework for the management of the System's assets. There are no anticipated risks.

Attachments

Attachment 1 – Total Fund Policy Review – First Reading Presentation

Attachment 2 – Proposed Total Fund Policy (clean view)

Attachment 3 – Proposed Total Fund Policy (mark-up view)

Attachment 4 – Consultant Opinion Letter – Wilshire Associates (General Pension Consultant)

Attachment 5 – Consultant Opinion Letter – Meketa Investment Group (Private Asset Class Board Investment Consultant)

Amy Deming
Investment Director
Investment Controls & Operational Risk

Dan Bienvenue
Interim Chief Investment Officer