



# Investment Committee

## Agenda Item 7a

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**February 16, 2021**

**Item Name:** Financial Markets and Economics Update

**Program:** Total Fund

**Item Type:** Information

### **Executive Summary**

Since September 2020, the US and global economies have continued to rebound from the Q2 pandemic lows, but the path has been bumpy. Rising infection rates leading to slowing mobility and country-specific lockdowns reduced economic activity in Q4. However, development and deployment of vaccines has improved the outlook for 2021. Equities performed well at the time of writing, and long-term interest rates moved higher, due to improving growth expectations and higher inflation expectations. The future is promising from an overall perspective, but there will be sectoral adjustments within economies for some time to come. The long-term unemployment rate in the US and overseas remains elevated.

### **Strategic Plan**

This agenda item meets the Strategic Plan by addressing two objectives:

- Fund the System through an integrated view of pension assets and liabilities; and
- Educate employers, members, and stakeholders on risks.

### **Investment Beliefs**

This agenda item is an expression of the CalPERS Investment Beliefs; in particular, Investment Belief 9: risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error.

### **Background**

In response to a Board member request at the November 2020 Investment Committee meeting staff has prepared this economic update.

**Analysis**

N/A

**Attachments**

Attachment 1 – February 16, 2021 Economic Update

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