



Finance and Administration Committee

Agenda Item 6b

September 17, 2024

Item Name: Modernizing Investment Data and Technology

Program: Investment Office

Item Type: Information

Executive Summary

This agenda item provides an update on the Modernizing Investment Data and Technology initiative which is one of the strategic initiatives launched in FY 2022-23 by the Investment Office. The presentation provides a high-level description of the industry landscape, business case, approach, governance structure, and next steps.

Strategic Plan

This agenda item supports the CalPERS Strategic Plan Goal – Pension Sustainability – to strengthen the long-term sustainability of the pension.

Investment Beliefs

This agenda item supports four of CalPERS' Investment Beliefs:

- Investment Belief 5: CalPERS must articulate its investment goals and performance measures and ensure clear accountability for their execution.
- Investment Belief 8: Costs matter and need to be effectively managed.
- Investment Belief 9: Risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error.
- Investment Belief 10: Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives.

Background

In recent years, significant changes have been made to the Strategic Asset Allocation (SAA). At the same time, the technology and data landscape has rapidly evolved, especially with advancements like digitization and generative artificial intelligence (AI). However, technology used by CalPERS Investment Office has remained largely unchanged. While the technology

has served CalPERS well in the past, there is an opportunity to adapt and modernize technology and business models.

Analysis

In crafting this strategy to address the evolving SAA and data landscape, the approach focused on assessing core portfolio management platforms, data platform, process automation and technology foundations such as infrastructure and cyber-security. These components are interrelated and integrated to create a unified architecture.

The proposed roadmap and recommendation offer the opportunity to keep pace with changes and serves as a bedrock for future innovation, enabling CalPERS's investment teams to enhance performance.

The successful completion of this initiative offers the potential to keep pace or even exceed peers. This will create the foundation for innovation and future success.

Budget and Fiscal Impacts

- A substantive investment will be required over the five-year span of the initiative.
- Ongoing operating cost: changes to ongoing expenses and staffing will be identified during the lifespan of the initiative with updates provided to the Board every April and November.

Benefits and Risks

Benefits of Proceeding

- The long-term outcome of this investment data and technology initiative will enable CalPERS to innovate, drive scale, efficiency and mitigate operational risks. This, in turn, will provide an opportunity to deliver improved returns.
- Reduces operating risks associated with implementing the SAA to achieve long-term investment return.
- More timely/informed decisions leading to better outcomes and investment innovation.
- Improves staff utilization through leveraging technology to shift focus from low value-add repetitive operational tasks to higher value-add analytical outputs.

Risk of Status Quo

- Increased levels of operational and financial risk.
- Increased manual processes and sub-optimal allocation of staff to high value add activities.
- Longer lead times to investment insights and potential impact on returns.
- Limited data and technology capabilities to support investment innovation.

Attachments

Attachment 1 – Modernizing Investment Data and Technology Presentation

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