

Total Fund Portfolio Management Annual Program Review

As of Quarter Ending on June 30, 2025

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Total Fund Portfolio Management (TFPM)
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Contents



Program Overview



Funding Environment



Liquidity Risk Management



Business Updates and Key Initiatives



Appendix



Total Fund Portfolio Management Overview

Role

- Support Asset Liability Management and Total Fund Allocation decision making
- Implementation of Total Fund allocation management, portfolio completion, and liquidity and financing management
- Develop investment strategies to improve total portfolio resiliency

Key Metrics

- \$73 billion (bn) in portfolio allocation adjustments to maintain a stable risk profile across private asset flows, pension flows, and plan rebalancing
- Less than 5 basis points (bps) of realized allocation management tracking error
- \$45 bn in financing for strategic and active exposures



Program Overview: Key Responsibilities



Portfolio Construction

- Economic and market research
- Investment strategy analysis
- Allocation and risk budgeting
- Portfolio analytics



Strategy Development

- Cross-portfolio / multi-asset investment strategies



Portfolio Implementation

- Treasury management
- Allocation implementation
- Portfolio completion



Supporting the Path to Total Portfolio Approach: Project Workstreams

#1 Board Action

**#2 Internal
Governance**

**#3 Portfolio
Construction**

**#4 Treasury
Management**

**#5 Policy &
Controls**

**#6
Communication &
Engagement**

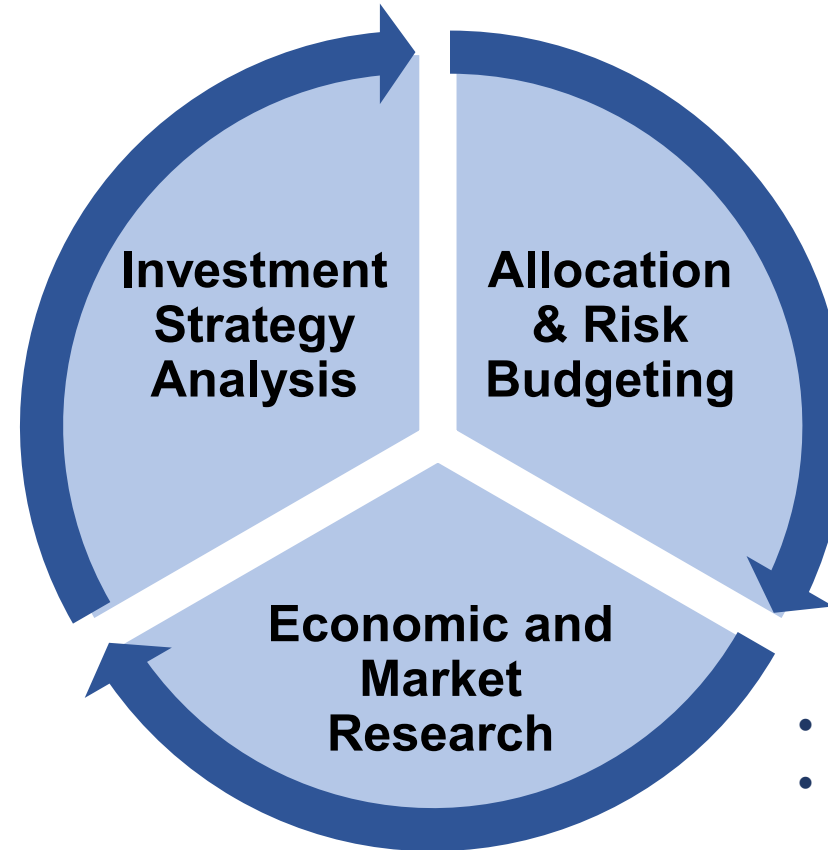
#7 Reporting

#8 Implementation



Supporting the Path to Total Portfolio Approach: #3 Portfolio Construction

- **Assessment of Strategy Return and Risk**
- **Unified View Across Asset Classes**



- **Portfolio Design**
- **Allocation Framework and Analysis**

- **Scenario Analysis**
- **Current and Forward Conditions**



Funding Environment

TFPM manages financing and liquidity management activities for the PERF, with a focus on funding stability, funding cost minimization, and balance sheet monetization

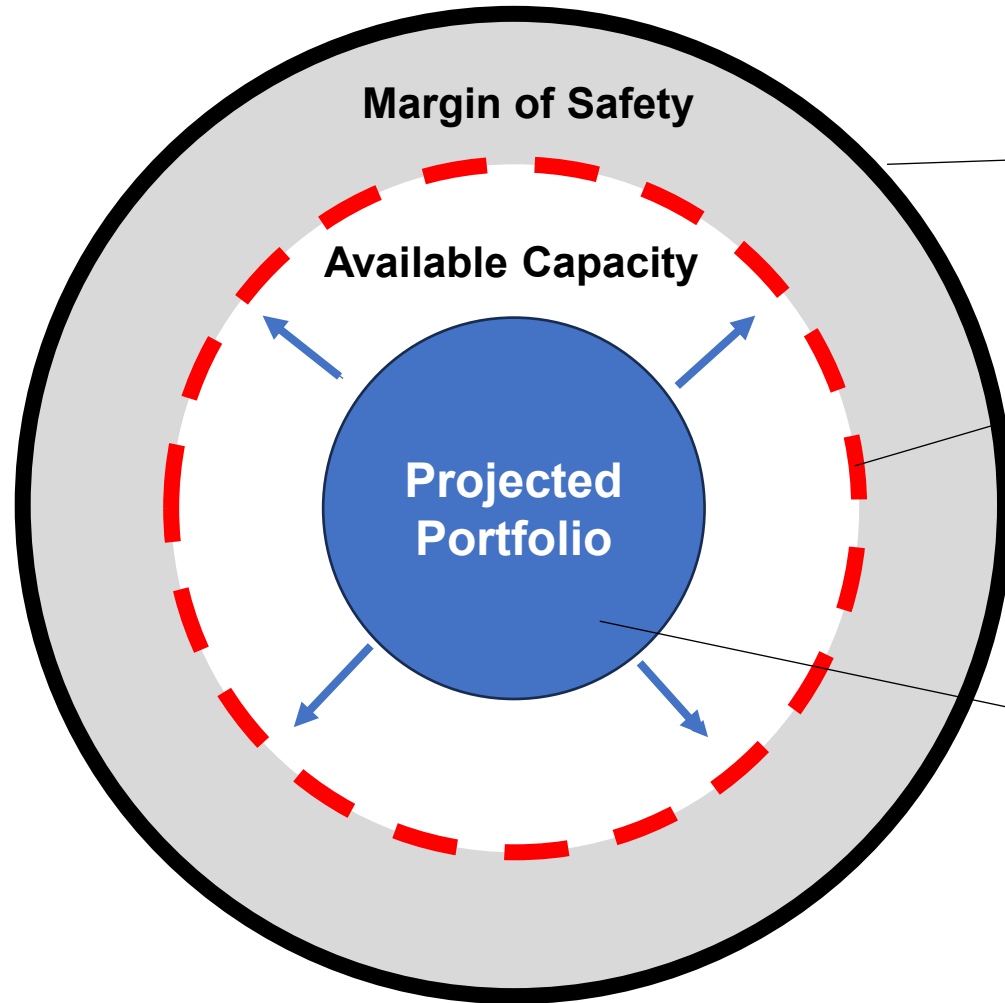
Key Market Trends and Considerations

- Monetary policy response to inflation and its Quantitative Tightening program continue to impact liquidity in the financial system
- Evolving regulatory environment may impact the costs and liquidity of certain financing markets - enhanced diversification is key to risk management

Investment Themes

- Expanded revenue opportunities exist for sophisticated investors arising from shifting funding market dynamics and regulatory changes
- Continuing to increase diversification of funding and liquidity management across asset classes, term structure, instruments, and counterparties allows the Fund to better navigate through volatility and manage risk

Liquidity Risk Management



Outer Limit:

0% Tolerance for Missing a Pension Payment or Other Contractual Obligation

Operating Range:

Comfort Zone Using Available Liquidity
(Projected and Scenario Basis With Very Low Probability of Operating Outside the Range)

Portfolio Projection:

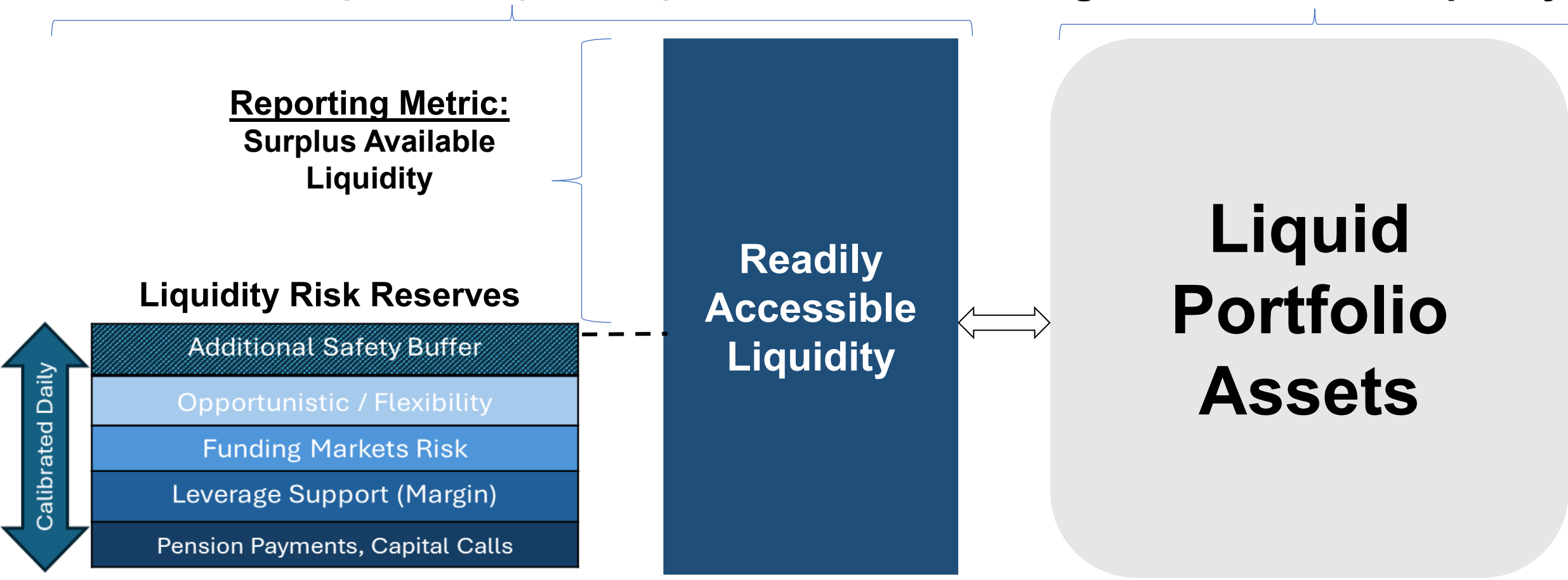
Projected Liquidity Usage of Current and Planned Strategies Under Multiple Scenarios
(Needs to Stay Within Effective Range)



Liquidity Risk Management

Operating Liquidity Management

Long-Term Portfolio Liquidity



Looking Back on Business & Key Initiatives

What Worked



- Key INVO contributor in 2025 Asset Liability Management cycle
- Applied Total Portfolio Approach (TPA) concepts to support Board discussion of CalPERS' investment model
- Developed prototype methodologies to support a TPA investment approach
- Expanded the Investment Treasury function and improved governance, frameworks, and financing/reinvestment channels

Areas for Refinement



- Improve data and technology capabilities and related build out of automated analytics and dashboards



Key Initiatives – Looking Ahead

- Continue supporting the Investment Data & Technology Modernization initiative
- Provide ongoing support to implement the Total Portfolio Approach (TPA) at CalPERS
- Partner with asset classes to assess investment strategies under a TPA lens - focusing on expected returns and risks
- Continue to build out macroeconomic scenario analytics
- Explore private market funding sources to increase liquidity diversification and resilience



Key Initiatives | Integration of Governance and Sustainability

Activities	Description / Status
Review and Input Into Sustainable Investments Led Process	Ongoing review and input to account for climate solution exposure and performance calculation.
Integration of Sustainability Strategic Objectives Under Total Portfolio Approach	Continuing early dialogue on integrating climate alpha and resilience objectives under Total Portfolio Approach, including integrating sustainability factors into strategy reviews

Appendix

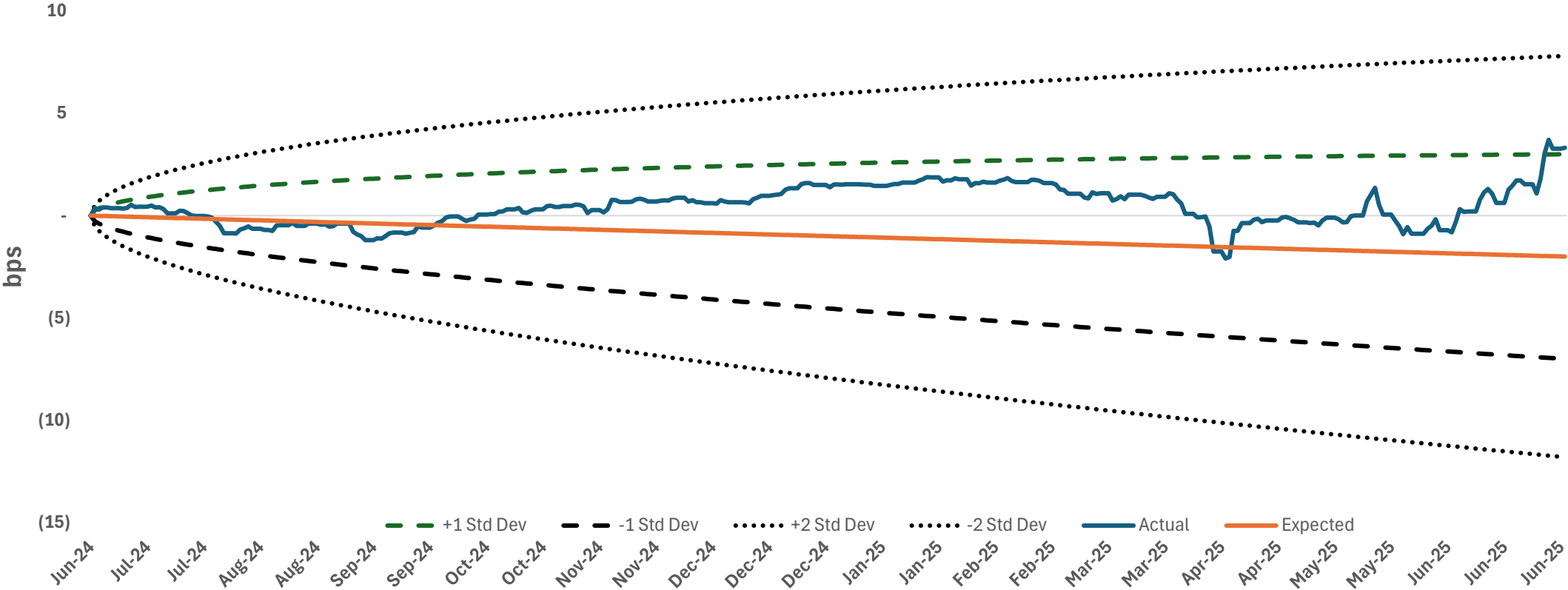


Portfolio Performance and Risk | Allocation and Implementation

July 2024 – June 2025

Expected Annual Costs = 2 bps

Expected Volatility = 5 bps





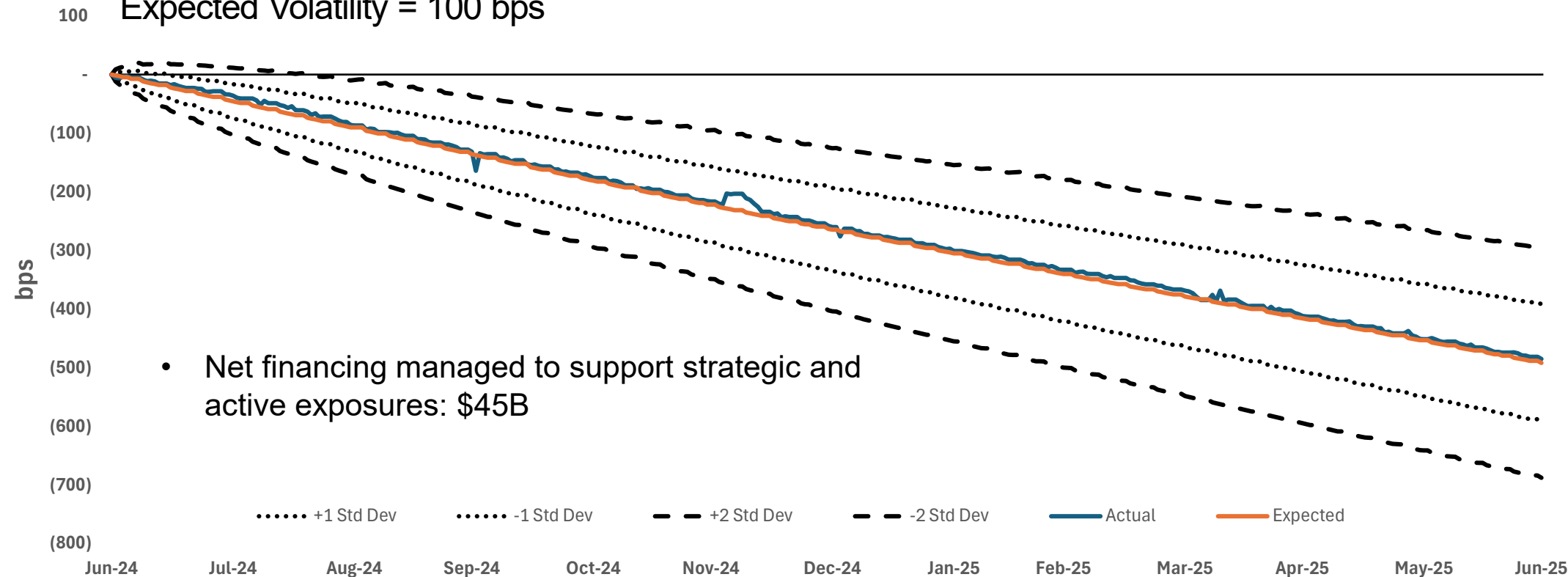
Portfolio Performance and Risk | Total Fund Financing

July 2024 – June 2025

Expected Annual Costs = 90-Day Secured Overnight

Financing Rate

Expected Volatility = 100 bps





Investment Beliefs

- Liabilities must influence the asset structure (IB 1)
- CalPERS must articulate its investment goals and performance measures and ensure clear accountability for their execution (IB 5)
- Strategic asset allocation is the dominant determinant of portfolio risk and return (IB 6)
- Risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error (IB 9)