



Investment Committee

Agenda Item 5a

June 15, 2026

Item Name: Total Fund Policy Review — Second Reading

Program: Total Fund

Item Type: Action

Recommendation

The Investment team is seeking the Investment Committee's (Committee) approval of proposed changes to investment policies (Policy), including repeals, revisions, and new policies. These changes are intended to support the transition to a Total Portfolio Approach and respond to the Committee's request to improve user experience.

The Investment team has addressed the Committee's feedback by incorporating pension sustainability as a strategic investment objective into the CalPERS Statement of Investment Policy. The team also clarified the Active Risk language, increased the frequency of certain reports, and added the Reference benchmarks to the PERF Investment Policy. A log detailing substantive updates made to Policy since the March 2026 Committee first read is available in Attachment 2. Consistent with what was presented in the first read, the investment team recommends the following

1. Repeal the current Total Fund Investment Policy
2. Adopt the proposed CalPERS' Investment Beliefs
3. Adopt the proposed CalPERS Statement of Investment Policy
4. Adopt the proposed CalPERS Governance and Sustainability Principles
5. Adopt the proposed CalPERS Divestment Policy
6. Adopt the proposed Public Employees' Retirement Investment Policy
7. Adopt the proposed Public Employees' Long-Term Care Fund Investment Policy
8. Adopt the proposed California Employers' Retiree Benefit Trust Fund Investment Policy
9. Adopt the proposed California Employers' Pension Prefunding Trust Fund Investment Policy
10. Adopt the proposed Legislators' Retirement Fund Investment Policy
11. Adopt the proposed Judges' Retirement Fund Investment Policy
12. Adopt the proposed Judges' Retirement System II Fund Investment Policy
13. Adopt the proposed Public Employees' Health Care Fund Investment Policy
14. Adopt the proposed Supplemental Income Plans Investment Policy
15. Adopt the proposed CalPERS Investment Specific Glossary
16. Repeal the Absolute Return Strategies Program Policy
17. Repeal the Inflation Assets Program Policy

Executive Summary

The Investment team is seeking the Investment Committee's (Committee) approval of proposed changes to investment policies (Policy), including repeals, revisions, and new policies. These changes are intended to transition the Public Employees' Retirement Fund (PERF) and its governing policies to a Total Portfolio Approach and respond to the Committee's request to improve user experience.

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 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

The Investment team periodically reviews existing policies and submits recommendations to the Committee regarding new policy development, revisions, repeals, and other relevant matters.

Analysis

Not Applicable.

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 — Second Reading Presentation
- Attachment 2 — Inventory of Substantive Policy Updates Since March 2026 IC
- Attachment 3 — Current Total Fund Policy (clean, annotated)
- Attachment 4 — Proposed CalPERS' Investment Beliefs (redline)
- Attachment 5 — Proposed CalPERS Investment Beliefs (clean)
- Attachment 6 — Proposed CalPERS Statement of Investment Policy (redline)
- Attachment 7 — Proposed CalPERS Statement of Investment Policy (clean)
- Attachment 8 — Proposed CalPERS Governance and Sustainability Principles (clean)

- Attachment 9 — Proposed CalPERS Divestment Policy (clean)
- Attachment 10 — Proposed Public Employees' Retirement Fund Investment Policy (clean)
- Attachment 11 — Public Employees' Long-Term Care Fund Investment Policy (redline)
- Attachment 12 — Public Employees' Long-Term Care Fund Investment Policy (clean)
- Attachment 13 — California Employers' Retiree Benefit Trust Fund Investment Policy (redline)
- Attachment 14 — California Employers' Retiree Benefit Trust Fund Investment Policy (clean)
- Attachment 15 — California Employers' Pension Prefunding Trust Fund Investment Policy (redline)
- Attachment 16 — California Employers' Pension Prefunding Trust Fund Investment Policy(clean)
- Attachment 17 — Legislators' Retirement Fund Investment Policy (redline)
- Attachment 18 — Legislators' Retirement Fund Investment Policy (clean)
- Attachment 19 — Judges' Retirement Fund Investment Policy (redline)
- Attachment 20 — Judges' Retirement Fund Investment Policy (clean)
- Attachment 21 — Judges' Retirement System II Fund Investment Policy (redline)
- Attachment 22 — Judges' Retirement System II Fund Investment Policy (clean)
- Attachment 23 — Public Employees' Health Care Fund Investment Policy (redline)
- Attachment 24 — Public Employees' Health Care Fund Investment Policy (clean)
- Attachment 25 — Supplemental Income Plans Investment Policy (redline)
- Attachment 26 — Supplemental Income Plans Investment Policy (clean)
- Attachment 27 — CalPERS Investment Specific Glossary (redline)
- Attachment 28 — CalPERS Investment Specific Glossary (clean)
- Attachment 29 — Consultant Opinion Letter — Wilshire Associates (General Pension Consultant)
- Attachment 30 — Consultant Opinion Letter — Meketa Investment Group (Private Asset Class Board Investment Consultant)

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