

# CalPERS Statement of Investment Policy

## Effective Date

This policy is effective July 1, 2026.

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## A. INTRODUCTION

The California Public Employees' Retirement System (CalPERS) Statement of Investment Policy (Policy), adopted by the CalPERS Investment Committee (Committee), sets forth the overarching investment purposes and objectives with respect to all plan assets collectively, the "Funds" and each "Fund".

The purpose of this Policy, and each of CalPERS' other investment policies (collectively the Policies), is to provide a framework for the management of CalPERS' assets. The Policies outline the strategies, benchmarks, restrictions, and responsibilities of the Funds, so that the Committee, staff, consultants, managers, members, beneficiaries, and all other CalPERS stakeholders clearly understand the objectives. The Policies also encourage effective communication, facilitate transparency and compliance, and provide a framework for reporting back to the Committee, as appropriate.

The Policies set forth the guidelines that the Committee deems to be appropriate and prudent in consideration of the needs of and legal requirements applicable to the CalPERS Funds. The Policies provide criteria against which investment results will be measured and serve as a review document to guide ongoing operations and oversight. The Policies are also intended to ensure that the Committee is fulfilling its fiduciary responsibilities in the management of CalPERS' investments.

The Committee intends for the Policies to be dynamic documents and will review them from time to time. Policies will be modified periodically to reflect the changing nature of CalPERS assets, benefit and structural changes, and economic conditions. This Policy applies to all CalPERS investments and supersedes any contrary or inconsistent provisions within the Public Employees' Retirement Fund or affiliated fund (Fund) or other investment policies.

## B. STRATEGIC INVESTMENT OBJECTIVE

The overall objective is to generate returns at an appropriate level of risk to provide members and beneficiaries with benefits as required by law. This will be accomplished through a carefully planned and executed long-term investment strategy that efficiently and effectively allocates and manages the assets to support long-term fund sustainability.

The Policies have been designed to allow CalPERS to achieve a long-term total return target. Accordingly, prudent risk-taking is appropriate within the context of overall diversification to meet CalPERS' long-term investment objectives. The assets of CalPERS will be broadly diversified to minimize the effect of short-term losses. Consistent with California Constitution, Article XVI, section 17, all CalPERS investment activities, and all investment transactions, shall be designed and executed solely in the interest of, and for the exclusive purposes of, providing

benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

Each Fund shall be managed according to the following objectives:

- A rate of total return sufficient to meet or exceed the actuarial expected rate of return over long periods of time, within prudent levels of risk and liquidity;
- Sufficient diversification to minimize the risk of significant loss in any single investment and preserve capital to the extent possible;
- Adherence to risk constraints approved by the Committee;
- Adequate liquidity to meet cash needs; and
- Consistent with the approach of the fund, add value through active investment decisions.

The strategic investment objectives of each individual Fund are described in the respective Fund's investment policy.

## C. INVESTMENT BELIEFS

This Policy requires that CalPERS develop and maintain a set of Investment Beliefs. The management of CalPERS' assets requires exercising judgment in the face of considerable uncertainty. The Investment Beliefs provide a framework for exercising judgment and making investment decisions. Investment Beliefs:

- Provide a basis for strategic management of the investment portfolio
- Inform organizational priorities
- Ensure alignment between the Committee and staff
- Guide CalPERS culture

Investment Beliefs also provide context for CalPERS' actions. They reflect CalPERS' values and acknowledge CalPERS' responsibility to sustain its ability to pay benefits for generations. The Investment Beliefs also acknowledge the critical importance of a strong and durable economy in achieving CalPERS' objectives.

The Investment Beliefs are not a checklist to be applied by rote to every decision. They are a guide for making judgmental decisions that often require balancing multiple, inter-related decision factors.

The Investment Beliefs are located [here](#).

## D. RESPONSIBILITIES

The Committee is responsible for establishing investment policies and has oversight of CalPERS' investments. The Committee sets the risk and return objectives, policy benchmarks, and investment constraints for each Fund. The Committee delegates day-to-day investment decision-making to the Chief Executive Officer (CEO), who further delegates investment responsibilities to the Chief Investment Officer (CIO). The CIO and Investment Office management are tasked with implementing investments in accordance with approved policies and managing investment risk within established limits. The Committee provides oversight by monitoring and reviewing investment activities and associated risks.

Details regarding roles and responsibilities are described in the individual Fund policies.

## E. FUND POLICIES

Investment policies for each Fund are listed and available via links below.

1. [Public Employees' Retirement Fund](#)
2. [Public Employees' Long-Term Care Fund](#)
3. [California Employers' Retiree Benefit Trust Fund](#)
4. [California Employers' Pension Prefunding Trust Fund](#)
5. [Legislators' Retirement Fund](#)
6. [Judges' Retirement Fund](#)
7. [Judges' Retirement System II Fund](#)
8. [Public Employees' Health Care Fund](#)
9. [Supplemental Income Plans](#)

## F. INVESTMENT APPROACH

### Allocation and Risk Tolerance

#### *Strategic Asset and Risk Exposure*

- A. Each Fund adopts an allocation approach and sets forth its target asset and risk exposures, such as a strategic asset allocation or reference portfolio, which are described in the respective individual Fund policies.
- B. Staff may recommend to the Committee changes to the target asset and risk exposures.

### Implementation

- A. Following any action by the CalPERS Board of Administration (Board) having the potential to result in substantial changes to the forecasted benefits, contributions, premiums, or liabilities of a Fund, staff shall assess the potential impact and recommend

to the Committee as soon as practicable following the Board action, whether the asset allocation process for each Fund should be postponed pending completion of such Board action.

- B. Allocations may temporarily deviate from targets due to extreme market volatility or to accommodate contributions, distributions, or other short-term cash needs. If an allocation exceeds policy limits, staff shall return the allocation to within its policy limits in a timely manner, with the exact time period primarily dependent on transaction costs and liquidity and considering the impact of lagged and appraisal-based valuations on reported private asset exposures.
- C. Each Fund will establish a liquidity program managed by staff to ensure sufficient operating cash to cover short-term liquidity needs, benefit flows, and private asset capital calls.

## Investment Criteria

Asset classes, strategies, and opportunities are evaluated within the context of their potential contribution to the overall objectives, risk profile, and strategic direction of each Fund. The consideration of any asset class, strategy or opportunity is based on its ability to enhance the Fund's risk-adjusted returns, diversification, and resilience.

Criteria for consideration when evaluating asset classes, strategies and opportunities include:

1. Assessment of how the strategy supports the Fund's long-term objectives, based on its fundamental characteristics, risk, and return drivers.
2. Whether sufficient size, liquidity, and cost efficiency exists to deploy capital and achieve a material impact on overall Fund objectives.
3. Availability of sufficient internal or external investment and technical expertise.
4. Analysis of potential to provide diversification, return enhancement, liquidity, risk mitigation, or other attributes that contribute to achieving strategic objectives and improving overall risk-return efficiency.
5. Acceptance or support from academic, industry, or other research demonstrating feasibility and relevance.
6. Availability of sufficient data and tools to assess the investment's expected risks, returns, and correlations, enabling evaluation and integration into decision-making.

## G. BENCHMARKS

### Purpose

Benchmarks establish target investment or risk exposures and provide a relative measure to gauge whether a particular investment strategy is meeting stated goals and objectives. Policy

benchmarks shall be established for each Fund, in alignment with the Fund's portfolio risk and return characteristics.

### **Benchmark Oversight**

Policy benchmarks shall be set by the Committee for each Fund. Changes to the construction rules of any policy benchmark shall be reviewed and approved by the relevant Board Consultant, with any modifications deemed material by the Board Consultant requiring review and approval by the Committee. In preparation for any such review, staff and the appropriate Board Consultant shall analyze the expected effect of the policy benchmark modification on the total portfolio risk and return characteristics.

Benchmarks are listed in the individual Fund policies.

## **H. INVESTMENT RISK MANAGEMENT**

### **Purpose**

Risk management is central to managing the assets of CalPERS and to achieving strategic investment objectives. A framework for investment risk management is established through (a) the adoption of investment policies for Fund asset and risk allocation, (b) individual asset classes and portfolios with appropriate benchmarks, and (c) reasonable risk limits.

Investment risk cannot be eliminated; therefore, CalPERS invests in a risk-aware manner in order to generate returns required to pay promised benefits, subject to its risk tolerance.

Risk-aware investment management requires CalPERS:

- Clearly understand investment risks; and
- Be adequately compensated for the risks taken.

CalPERS investment risk management activities shall be managed so as to:

- Provide an integrated process for overall investment risk management at both the Fund and asset class level;
- Identify, measure, and communicate investment risks across the Fund and within each asset class;
- Monitor investment returns as well as risk to determine if risks taken are adequately compensated; and
- Ensure appropriate organizational independence of investment risk measurement systems and functions from investment decision-making functions.

## Investment Approaches and Parameters

### A. Investment Risk Management Framework

The CalPERS investment risk framework is expected to evolve over time in alignment with industry best practices. The framework shall address the identification, measurement, assessment, and ongoing monitoring of investment risk.

### B. Active Risk Constraints

The Committee may establish additional leeway for each Fund, to define staff discretion to deviate from reference portfolios, strategic asset allocations, or other intended strategic investment exposures. Limits are specified in the individual Fund policies.

## I. INVESTMENT CONSTRAINTS AND LIMITATIONS

Details regarding various investment constraints and limitations are provided in the Fund policies.

## J. GOVERNANCE AND SUSTAINABILITY STRATEGY

### Purpose

The CalPERS Governance and Sustainability Strategy shall be managed to accomplish the following objectives:

- A. Integrate sustainability considerations into the investment process to deliver better returns and enhance portfolio resilience.
- B. Contribute to sustainable investment, advocacy, and engagement decision making across CalPERS.

### Approach & Parameters

The strategy will be implemented through five channels, supported, where applicable, by the use of strategic partnerships, consultants, and data providers to advance CalPERS' investment and policy objectives. The five channels are:

- Investments
- Research
- Integration
- Engagement
- Advocacy

The CalPERS Governance & Sustainability Principles are located [here](#).

## Investment Related Responsibilities - Investment Office Staff

1. Support investment staff to integrate relevant sustainability and governance issues into investment, advocacy, and engagement decision making. This shall include the preparation of an annual review of systemic sustainable investment risks, such as climate change. The results of the review shall be presented to the senior leadership of the Investment Office to support investment decision-making.
2. Staff shall maintain a total portfolio-level Governance and Sustainability Strategic Plan approved by the Committee setting forth CalPERS' long-term objectives for the Strategy. Changes to the Strategic Plan require Committee approval.
3. Staff shall obtain annual Committee approval of the Governance & Sustainability Principles.

Additional reporting requirements and responsibilities are described in individual Fund policies.

## K. RESPONSIBLE CONTRACTOR PROGRAM POLICY

The Responsible Contractor Program (RCP) policy is located [here](#).

## L. RESTRICTING PRIVATE EQUITY (PE) INVESTMENTS IN PUBLIC SECTOR OUTSOURCERS

The PE Investments in Public Sector Outsourcers policy is located [here](#).

## M. DIVESTMENT POLICY

The Divestment policy is located [here](#).

## N. GLOSSARY OF CALPERS SPECIFIC INVESTMENT TERMS

Bold and italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the [CalPERS Specific Glossary of Investment Terms](#).

## O. POLICY DOCUMENT HISTORY

Historical details of the Committee's adoption of and revisions to this Policy are provided in [Appendix 1](#).

## APPENDIX 1 – POLICY DOCUMENT HISTORY

Historical details of the Committee’s adoption of and revisions to the Policy are described in the table below.

*Table 1 - CalPERS Statement of Investment Policy History*

Summary of Change	Approval Date
Established new CalPERS Statement of Investment Policy. Related to sections A – H, I -V, and XX from CalPERS Total Fund Investment Policy effective 7/1/2024.	June 15, 2026