

MEMORANDUM

TO: Investment Committee, CalPERS
FROM: Stephen McCourt, Christy Fields, Steve Hartt, Mary Bates, Lisa Bacon;
Meketa Investment Group
CC: Stephen Gilmore
DATE: June 15, 2026
RE: Agenda Item 5a – Total Fund Policy Review – Second Reading

Meketa Investment Group (Meketa) has been asked in its capacity as Private Asset Class Board Consultant to provide an opinion on two new policies that would govern the investment of CalPERS various investment portfolios, including the Public Employees' Retirement Fund (PERF), under the Total Portfolio Approach (TPA). Specifically, the Investment Team created a new Statement of Investment Policy (Umbrella Policy), which largely reflects the current Total Fund Policy, and links to all of CalPERS' existing policies, principles, and beliefs. They also created a PERF Investment Policy, which aggregates, organizes, and specifies the investment policies that would govern PERF and all its component asset classes. Agenda Item 5a is a second reading and includes 29 attachments to support the suggested changes. Meketa provided an accompanying memorandum with the first reading.

First Reading Comments

In its role as Private Asset Class Board Consultant, Meketa met with the Investment Team several times, and provided multiple rounds of feedback, on two of the attachments to the Agenda Item:

- New Umbrella Policy; and
- New PERF Investment Policy.

Meketa's independent review and feedback focused largely on the impact of policy changes to the private markets asset classes: Private Equity; Private Debt; Real Estate; and Infrastructure. While the policy documents are new, the Team is recommending no changes to existing Delegated Authority limits, Prudent Person Opinion (PPO) requirements, or single fund/single General Partner (GP) concentration limits within the private market asset classes.

However, as part of the transition to the TPA and the reference benchmark/tracking error risk control framework, Staff has suggested eliminating the policy limits in the private market asset classes related to sub-strategy targets, geography, and risk classifications. Under the TPA, these risks will be reviewed as part of the continual asset selection and monitoring processes of INVO (and incorporated into the Team's active risk metric) and controlled by the 400 basis point tracking error limit.

We note that, as part of the policy changes, the Private Asset Class Board Consultant's responsibilities were modified to better align with existing and expected practice under TPA, and to provide clarity on the responsibility under TPA to provide a secondary perspective on the active risk metric used by INVO for the private market asset classes.

Second Reading Comments

After receiving comments from the Investment Committee during the first reading, the Investment Team made a few changes to address questions and suggestions that arose. In summary, these included:

→ In the Umbrella Policy:

- Clarifying that “strategic objectives” relate to the investment objectives of CalPERS.
- Adding fund sustainability to the strategic investment objective in the CalPERS Statement of Investment Policy.

→ In the PERF Investment Policy:

- Clarifying that “strategic objectives” relate to the investment objectives of CalPERS.
- Providing a clearer description of active risk and moving the description within the Policy.
- Adding the reference portfolio benchmark approved at the March meeting.
- Removing language regarding portfolio investment parameters within private debt, to align with the other asset class implementation descriptions.
- Adding increased frequency of certain Investment Committee reporting requirements.

Meketa finds these changes for the second reading to be responsive to feedback provided to the Team, providing clarity and enhancement to the draft PERF Investment Policy and Umbrella Policy.

Conclusions

In summary, Staff is recommending restructuring the investment policy ecosystem to clarify policies generally and align them with the PERF’s Total Portfolio Approach. Meketa believes that the proposed policy changes, as they relate to Private Markets asset classes, are consistent with CalPERS’ Investment Beliefs (specifically, Beliefs 5, 7, and 10 related to ensuring clear accountability for execution, ensuring CalPERS takes risks only where there is a belief it will be rewarded, and strong processes, teamwork, and deep resources are needed to achieve goals). Further, Meketa believes the two new policies are consistent with the intended risk control procedures discussed under TPA, and appropriately articulate reasonable risk parameters for the private market asset classes. *Meketa supports the Team’s recommended policy changes.*

We note that the elimination of the strategic asset allocation targets, geography, sub-strategy, and risk classification constraints under current policy puts heightened emphasis on the Investment Team’s internal active risk metrics, and related risk control procedures. The Investment Team has completed its internal active risk control procedures, and the Investment Committee’s general investment consultant has reviewed the procedures.

If you have any questions, please feel free to contact us at (760) 795-3450.

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