# Affiliate Fund Policy Amendments - First Reading

Christine Reese
Investment Director, AIP

Rafael Garcia
Investment Manager, AIP

Amy Deming
Investment Director, ICOR

Investment Committee
September 14, 2026

CalPERS

# Introduction

In June 2026, the Board approved Asset Liability Management (ALM) recommendations for the Legislators' Retirement Fund (LRF) and the Judges' Retirement System II Fund (JRS II).

The policy amendments presented in this item align the policies with the approved ALM recommendations.

This item is a first reading of the proposed amendments.

# Summary of Key Changes - LRF

- Incorporated the Strategic Asset Allocation (SAA) targets and removed the Global Equity benchmark.

  Rationale: aligns the policy with the Board's approved ALM.

- Increased the TIPS policy range from +/- 3% to +/- 5%.

  Rationale: provides more room for market fluctuation between rebalances and better aligns the range with the asset class's increased target.

# Summary of Key Changes – JRS II…

- Established an Opportunistic and Innovation Program to allow investments outside approved SAA, including incubation strategies.
- Private equity would be incubated with a 0% target, +5% range, and 5% cap of JRS II market value.

  Rationale: establishes a governed framework for the incubation of Private Equity while maintaining oversight

- Widened the Global Equity range from +/- 5% to +/- 7% and Fixed Income from +/- 5% to +/- 6%.

  Rationale: provides additional implementation and rebalancing flexibility during the Private Equity incubation.

# …Summary of Key Changes – JRS II

- Added governance and reporting requirements that include:
  - General Pension Consultant oversight of program activities on the Committee’s behalf.
  - Annual General Pension Consultant reporting expanded to be inclusive of the Opportunistic and Innovation Program.
  - Annual staff reporting on investments, performance, and risk.
  - Partnership agreements added to the External Manager section.

Rationale: strengthens program oversight.

# Next Steps

- Take Board feedback from today.
- Feedback will be incorporated into the second reading in November.
- If approved, policies will be updated.