Legislators' Retirement Fund Investment Policy

Effective Date

This policy is effective as of ~~July 1, 2026~~ November 16, 2026 and supersedes all previous Legislators' Retirement Fund (LRF) policies.

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CalPERS

Introduction

The California Public Employees' Retirement System (CalPERS) Statement of Investment Policy, adopted by the CalPERS Investment Committee (Committee), sets forth CalPERS' overarching investment beliefs, purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy (Policy) for the Legislators' Retirement Fund (Fund). The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent and careful action while managing the Fund. Additionally, use of this Policy assures sufficient flexibility in managing investment risks and returns associated with this Fund.

The Legislators' Retirement Fund was established by statute to provide retirement benefits to members of the Legislature elected prior to November 7, 1990, elected Constitutional Officers, the Insurance Commissioner, and Legislative Statutory Officers.

This Policy should be read in conjunction with and is subject to applicable conditions contained within the CalPERS Statement of Investment Policy. This Policy shall also be managed to comply with all applicable Investment Office policies.

Strategic Investment Objective

The Fund seeks to achieve the highest total rate of return reasonably possible within prudent levels of risk and liquidity for the Fund's liabilities, while maintaining significant diversification to temper losses from market volatility and ensuring adequate liquidity to meet cash needs.

Responsibilities

Details regarding various levels of responsibility for this Fund are provided in Appendix 1, Reporting to the Investment Committee, and Appendix 2, Investment Responsibilities.

Investment Approach & Parameters

A. Performance Benchmark

The Policy Benchmarks are set forth in Appendix 4.

B. Strategic Asset Allocation Process

A comprehensive asset allocation strategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Statement of Investment Policy, Allocation and Risk Tolerance section, and Reporting to the Investment Committee, specified in Appendix 1 of this policy.

C. Restrictions, Prohibitions and Authorized Securities

1. Restrictions, Prohibitions and Authorized Securities of the Fund are governed by the CalPERS Statement of Investment Policy for internal funds and defined in each Manager's contract with CalPERS for external funds.

2. All transactions involving derivatives are governed by the CalPERS Global Derivatives and Counterparty Risk Procedures.
3. Securities lending transactions are permitted, subject to compliance with statutory requirements.

Investment Constraints and Limitations

See Appendix 3 for Fund investment constraints and limitations.

Glossary of CalPERS Specific Terms

Bold italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the CalPERS Specific Glossary of Terms.

Policy Document History

See Appendix 5 for historical details of Investment Committee adoption and revisions of this Policy.

Appendices

Additional information and requirements can be found in the appendices listed below.

- Appendix 1 – Reporting to the Investment Committee
- Appendix 2 – Investment Responsibilities
- Appendix 3 – Investment Constraints and Limitations
- Appendix 4 – Policy Benchmarks
- Appendix 5 – Policy Document History

Appendix 1 - Reporting to the Investment Committee

The following tables provide details regarding reporting to the Investment Committee:

1. Investment Office Staff
2. ***General Pension Consultant***

Table 1.1: Investment Office Staff Reporting Responsibilities

Ref #	Report Content	Frequency
1.	Staff shall provide a review that will include, but is not limited to, asset class allocations compared to Policy targets and ranges (as applicable), current market value, performance, and risk metrics.	No less than annually
2.	Staff shall report concerns, problems, material changes, and all violations of the Policy. These reports shall include explanations of any violations and appropriate recommendations for corrective action. Policy exceptions attributable to temporary mis-weights arising from the Committee's adoption of new program and/or subprogram asset allocation targets and the associated transition activity will not be subject to these reporting provisions provided that staff establishes a reasonable estimate of the timeframe for completion and so informs the Committee.	At the next Committee meeting, or sooner if deemed necessary
3.	Staff shall provide a comprehensive asset allocation strategy analysis coincident with the review of actuarial methods and assumptions to be presented for review and approval of policy target asset class allocations and ranges.	Every 4 years
4.	Staff shall present a market-valuation-based analysis at the midpoint of the 4-year review cycle, or as needed in response to market conditions or changes affecting the capital market assumptions.	At midpoint of 4-year cycle or as needed
5.	Staff shall comply with reporting requirements and responsibilities set forth in the CalPERS Statement of Investment Policy and all other investment policies, as applicable and appropriate.	As needed

*Table 1.2: **General Pension Consultant** Reporting Responsibilities*

Ref #	Report Content	Frequency
1.	The Consultant shall monitor, evaluate, and report on the performance of the Fund relative to the benchmarks and this policy and other applicable CalPERS Policies.	No less than annually

Appendix 2 - Investment Responsibilities

The following sections provide details regarding investment related responsibilities for the:

- Investment Committee
- Investment Office Staff
- ***General Pension Consultant***
- ***External Manager***

Investment Committee Responsibilities

1. Approve asset classes for investment and set a policy target allocation, permissible range, and benchmark for each asset class.
2. Approve adoption of and oversee compliance with this Policy designed to achieve CalPERS strategic objectives.
3. Review Policy recommendations made by staff.
4. If necessary, engage an independent consultant to provide an analysis of the economic impact on the Fund of any contemplated divestment activity, to include one-time transaction costs, predicted tracking error, and risk-return trade-offs, in order to aid the Committee in determining whether divestment is both appropriate and consistent with the Board's fiduciary duties. Staff can help facilitate this process as requested.

Investment Office Staff Responsibilities

1. All aspects of portfolio management, including monitoring, trading, analyzing, evaluating performance relative to the appropriate benchmark, and selecting and contracting with managers.
2. Provide individualized asset allocation strategy recommendations, with Policy targets and ranges, to the Committee.
3. Manage the asset class allocations of the Fund within Policy ranges approved by the Committee, in accordance with Policy guidelines.
4. Monitor internal and external managers in the implementation of and compliance with the Policy.
5. Develop and maintain investment procedures, program guidelines, and sub-program guidelines.
6. Periodically review the policies and make recommendations to the Committee regarding new policy development, policy revisions, repeals, and any other aspect that the staff considers pertinent.
7. Engage with consultants and other pertinent parties to seek advice and counsel regarding investment strategy and investment results.
8. Monitor and adhere to policies, procedures, and guidelines.

9. Execute all publicly traded company proxies and voting instructions in alignment with the Governance & Sustainability Principles, as applicable.

General Pension Consultant *Responsibilities*

1. Provide independent perspective and counsel to the Committee, to include routine communication with the Investment Office Staff and periodic reviews of policy, processes, and procedures.
2. Monitor and evaluate the appropriate use of benchmarks related to performance of the Fund and programs relative to the policy.
3. For benchmark changes and material construction rule changes that require Committee approval, review and make a recommendation regarding approval. For benchmark construction rule changes that are not material, review and approve all requests.

External Manager *Responsibilities*

1. Manage the Fund in accordance with each manager's contract with CalPERS and the Policy.
2. Communicate and cooperate with Investment Office Staff and authorized third parties regarding the management of the Fund.

Appendix 3 - Investment Constraints and Limitations

Asset Class Allocation Targets & Ranges

Table 3 provides details regarding the asset allocation targets and ranges for the Legislators' Retirement Fund. Upon adoption of significant policy changes, Staff will implement the changes within a reasonable time period.

Table 3: Asset Class Allocation Targets & Ranges – Legislators' Retirement Fund, Effective July 1, ~~2024~~ 2026

Asset Class	Policy Target	Policy Range Relative to Target
~~Global Equity~~	~~7%~~	~~+/- 5%~~
Fixed Income	~~45~~40%	+/- 5%
Treasury Inflation-Protected Securities (TIPS)	~~35~~49%	+/- ~~3~~5%
Commodities	3%	+/- 3%
Real Estate Investment Trusts (REITs)	~~10~~8%	+/- 5%
Liquidity*	0%	+2%
Total Fund	**100%**	

*The Liquidity asset class is constrained to frictional/operational cash flows.

Target Tracking Error

The Fund will be managed in a manner that minimizes any tracking error.

Securities Lending

The following requirements apply to securities lending transactions for assets custodied by CalPERS.

Lending Guidelines

The proper amount of collateralization for initial and maintenance margin shall be market value times the appropriate percentage for each security type.

a. Domestic securities – 102%
b. Matching currency investment for G10 domiciled issuers – 102%
c. All other international securities – 105%

Cash Collateral Reinvestment Guidelines

Reinvestment of cash collateral shall be governed by investment guidelines.

Appendix 4 - Policy Benchmarks

Table 4: Legislators' Retirement Fund Policy Benchmark

Asset Class	Benchmark
~~Global Equity~~	~~MSCI ACWI IMI (Net)~~
U.S. Fixed Income	Bloomberg Long Liability Index
Treasury Inflation-Protected Securities (TIPS)	Bloomberg U.S. TIPs Index, Series L
Commodities	S&P GSCI Total Return Daily
Real Estate Investment Trusts (REITs)	FTSE EPRA/NAREIT Developed Index
Liquidity	ICE BofA US 3-Month Treasury Bill Index (asset class utilized for operating cash)

Appendix 5 - Policy Document History

Table 5.1: Legislators' Retirement Fund Policy History

Date	Detail
2011-06-15	Approved by the Policy Subcommittee
2011-08-15	Adopted by the Investment Committee
2013-12-03	Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy
2014-05-15	Administrative changes to standardize reporting frequencies to the Investment Committee to "no less than annually"
2014-05-15	Administrative changes to reflect the Policy Glossary of Terms Update Project
2014-10-13	Approved by the Investment Committee
2016-03-14	Approved by the Investment Committee Previous versions of the Legislators' Retirement Fund Policy were reformatted to align with investment policy updates incorporated during the Investment Policy Revision Project
2018-10-01	Administrative changes to the strategic asset allocation targets and ranges as approved by the Committee on May 14, 2018 (agenda item 5a).
2019-01-04	Administrative changes made to migrate policy into an accessible template.
2021-09-13	Approved by the Investment Committee Revisions related to the Target Tracking Error to reflect business process changes.
2022-10-01	Administrative changes to the strategic asset allocation targets and ranges as approved by the Committee on March 14, 2022 (agenda item 7b).
2024-07-01	Administrative change to capture the strategic asset allocation targets effective 7/1/2024, approved by the Committee on June 10, 2024 (agenda item 6a).
2026-06-15	Incorporated changes under the 2026 Investment Policy Redesign, specifically incorporating reporting and benchmarks formerly listed in Total Fund policy into individual policies of the Affiliate Funds.
2026-11-16	Incorporate changes from the 2026 LRF strategic asset allocation approved by the Board at the June 2026 meeting of the Investment Committee. Updating policy range for TIPS from 3% to 5% effective upon the Board's approval of the second read of the LRF investment policy.

The Legislators' Retirement Fund Policy was previously Attachment C of the Affiliate Fund Policy. Table 5.2 below reflects the revision history of the Affiliate Fund Policy.

Table 5.2: Affiliate Fund Policy History

Date	Detail
2008-08-18	Approved by the Policy Subcommittee
2008-09-15	Adopted by the Investment Committee
2008-12-15	Revised by the Investment Committee
2009-06-16	Administrative changes made due to Policy Review Project
2009-09-28	Administrative changes due to adoption of Benchmark Policy