Overview of the Asset Liability Management Mid-Cycle and Strategic Asset Allocation Reviews

Summary of Discussion

In preparation for the November Board meeting, this agenda item provides a summary of the framework used to develop candidate portfolios for the Public Employees' Retirement Fund. In addition, risk and return features of the current PERF are reviewed, illustrating key aspects of the framework.

This item supports the CalPERS Strategic Plan goal to improve long-term pension sustainability. As defined in CalPERS ALM policy, Asset Liability Management (ALM) is the process of balancing the expected cost of future pension payments with the expected future investment returns.

This agenda item supports the following CalPERS Investment Beliefs:

- Investment Belief 2: A long term investment horizon is a responsibility and an advantage;
- Investment Belief 6: Strategic asset allocation is the dominant determinant of portfolio risk and return;
- Investment Belief 7: CalPERS will take risk only where we have a strong belief we will be rewarded for it; and
- Investment Belief 8: Costs matter and need to be effectively managed.

This agenda item is intended to elicit feedback, both from the Investment Committee and from stakeholders that are impacted by CalPERS activities. This feedback will be an important input into the overall assessment and analysis of candidate portfolios.