Affiliate Investment Programs Annual Review

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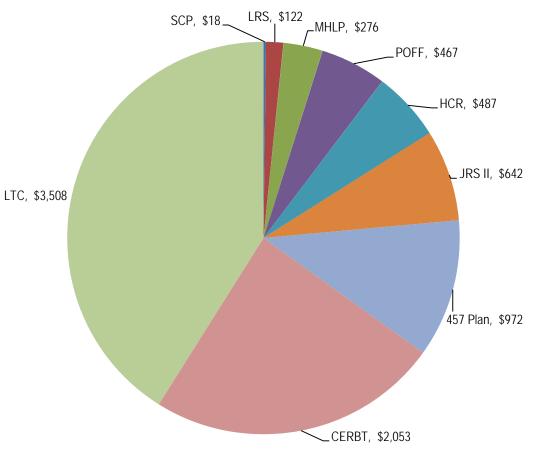
Affiliate Investment Programs (AIP)

Plan Type	Plan/Program
Supplemental Income Plans (SIP)	457 Plan
	Peace Officers and Firefighters' (POFF) Plan
	Supplemental Contributions Plan (SCP)
Defined Benefit Plans	Legislators' Retirement System (LRS)
	Judges' Retirement System (JRS) II
Health-Related Plans	California Employers' Retiree Benefit Trust (CERBT)
	Long-Term Care Program (LTC)
	Health Care Reserves (HCR)
Loan Programs	Member Home Loan Program (MHLP)



Affiliate Investment Program Assets (as of 6/30/12)

Total \$8,545 (in millions)



Assets by Program (in Millions)	Growth Trend
Long-Term Care Program (LTC)	\Rightarrow
California Employers' Retiree Benefit Trust (CERBT)	1
457 Plan	
Judges' Retirement System (JRS) II	1
Health Care Reserves (HCR)	\Rightarrow
Peace Officers and Firefighters (POFF) Plan	1
Member Home Loan Program (MHLP)	1
Legislators' Retirement System (LRS)	1
Supplemental Contributions Plan (SCP)	1



Investment Management Responsibilities

Single Investment Fund	# of Funds	# of underlying portfolios	Portfolio Management	AIP Responsibility
SIP core	7		External	Monitoring
SIP core	5		Internal	Monitoring
HCR	1		Internal	Monitoring
MHLP	1		Internal	Monitoring
Asset Allocation Funds	# of Funds	# of underlying portfolios	Portfolio Management	AIP Responsibility
SIP	14	13	Internal/External	Rebalancing
LRS	1	12	Internal	Rebalancing
JRS II	1	12	Internal	Rebalancing
LTC	1	8	Internal	Rebalancing
CERBT	3	8	Internal	Rebalancing
Total	34	53		



Policy Ranges and Targets*

Affiliate Funds

- All funds are within policy range, compared to Policy targets and actual
- LTC Fund will be transitioned to new asset allocation policy targets, approved by the IC in May 2012, in November 2012

SIP

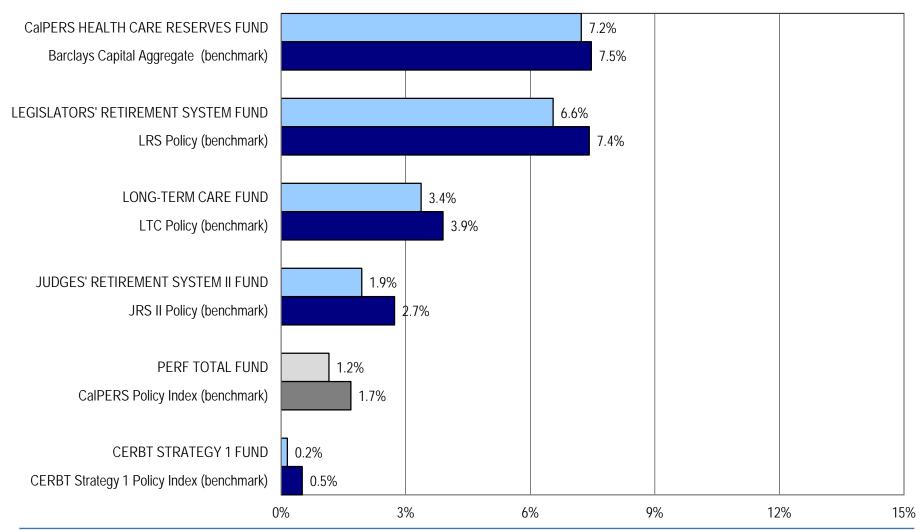
All funds are within policy range, compared to Policy targets and actual

Investment Performance – Affiliate Funds

1 & 3 years ending 6/30/12*

- For the 1-year period, all funds underperformed their benchmark
- For the 3-year period, all funds outperformed their benchmark
- Primary performance driver was CalPERS managed domestic fixed income
- Four of five funds outperformed the PERF

1-year* Investment Performance

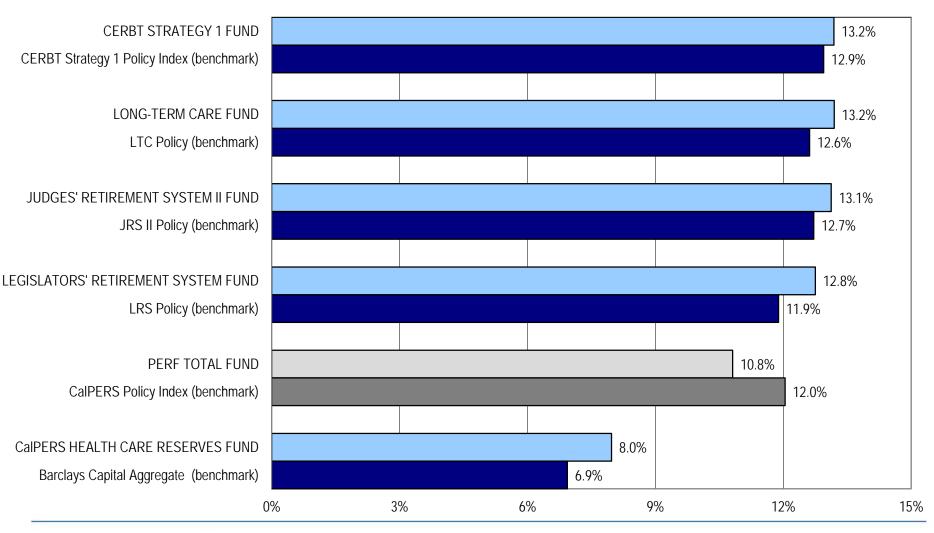




Note: One year performance for CERBT Strategy 2 Fund will be available on 10/1/2012. One year performance for CERBT Strategy 3 Fund will be available on 1/1/2013.

*Gross returns ending 6/30/12

3-years* Investment Performance





Investment Performance – SIP Funds

1 & 3 years ending 6/30/12*

- SIP Core Funds
 - ➤ Three out of five active equity external managers underperformed their benchmarks
 - CalPERS Total Return Bond fund outperformed its benchmark for the 3 year period
 - The remaining funds performed at or near their benchmarks
- SIP Asset Allocation (Target Retirement Date & Risk-Based) Funds underperformed their benchmarks primarily due to the active equity manager underperformance

1-year* Investment Performance – SIP Core Funds



CalPERS TOTAL RETURN BOND Barclays Capital Aggregate (benchmark)

THE BOSTON COMPANY SMID GROWTH Russell 2500 Growth (benchmark)

CalPERS S&P 500 EQUITY INDEX S&P 500 (benchmark)

PIMCO SHORT-TERM BOND BofA/ML 6-Mo U.S. T-Bill (benchmark)

SSgA STIF BofA/ML 3-Mo U.S. T-Bill (benchmark)

CalPERS SMALL/MID EQUITY INDEX Russell 2500 (benchmark)

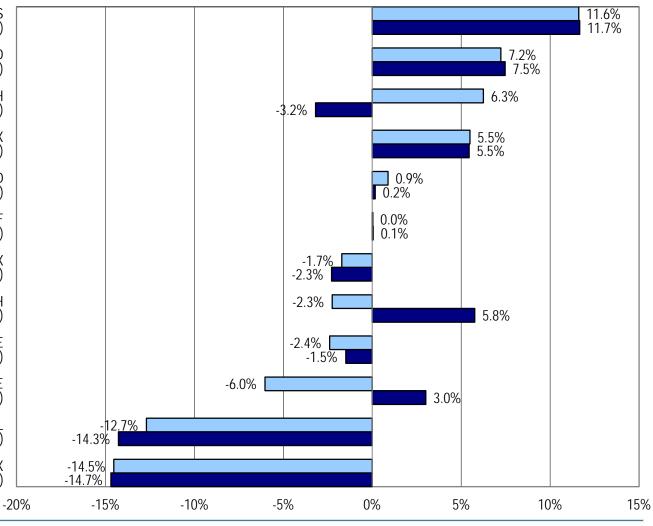
TURNER LARGE CAP GROWTH Russell 1000 Growth (benchmark)

THE BOSTON COMPANY SMID VALUE Russell 2500 Value (benchmark)

ALLIANCE BERNSTEIN LARGE CAP VALUE Russell 1000 Value (benchmark)

PYRAMIS SELECT INTERNATIONAL FTSE Dev World ex US/EAFE Linked (benchmark)

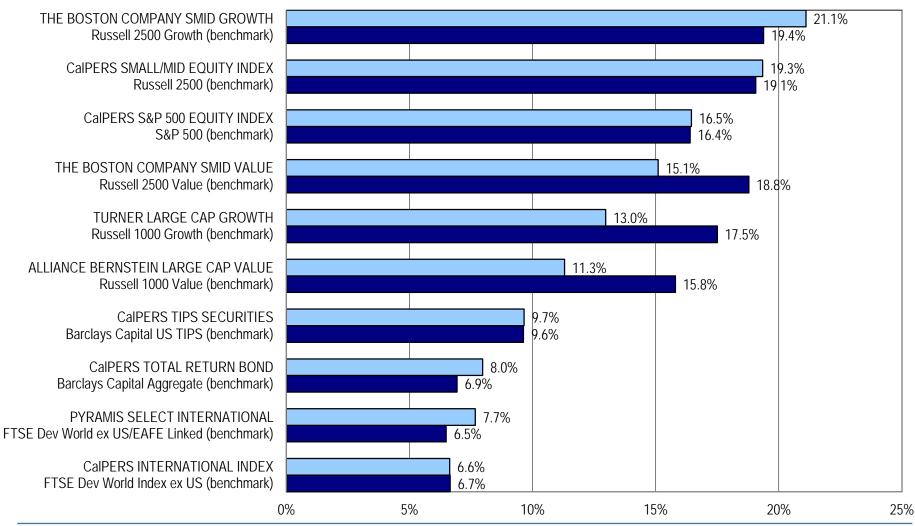
CalPERS INTERNATIONAL INDEX FTSE Dev World Index ex US (benchmark)





Note: STIF fund performance is net of fees charged directly by SSgA. *Gross returns ending 6/30/12

3-years* Investment Performance – SIP Core Funds





Note: PIMCO Short-Term Bond Fund and SSgA STIF are available for participants. Three year performance will be available on 9/1/2013.

*Gross returns ending 6/30/12

1-year* Investment Performance – SIP Asset Allocation Funds

CalPERS CONSERVATIVE ALLOCATION SIP Conservative Policy (benchmark)

CalPERS TARGET RETIREMENT INCOME SIP Income Policy (benchmark)

CalPERS TARGET RETIREMENT 2005 SIP 2005 Policy (benchmark)

CalPERS TARGET RETIREMENT 2010 SIP 2010 Policy (benchmark)

CalPERS TARGET RETIREMENT 2015 SIP 2015 Policy (benchmark)

CalPERS TARGET RETIREMENT 2020 SIP 2020 Policy (benchmark)

CalPERS MODERATE ALLOCATION SIP Moderate Policy (benchmark)

Calpers Target Retirement 2025 SIP 2025 Policy (benchmark)

Calpers Target Retirement 2030 SIP 2030 Policy (benchmark)

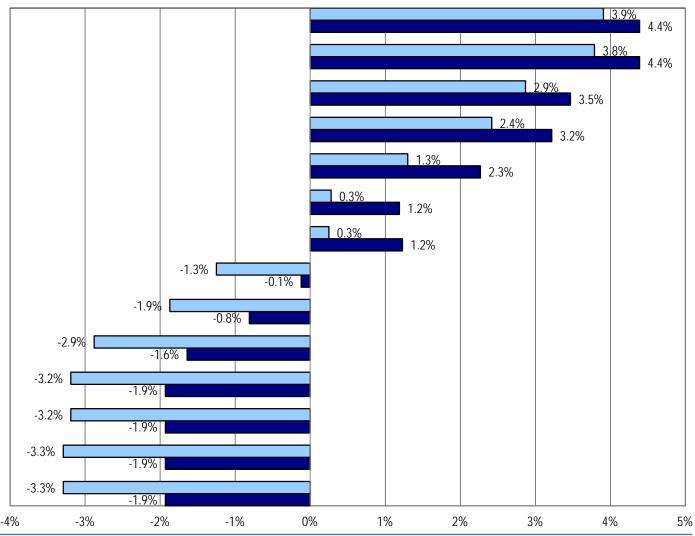
Calpers Target Retirement 2035 SIP 2035 Policy (benchmark)

CalPERS AGGRESSIVE ALLOCATION SIP Aggressive Policy (benchmark)

CalPERS TARGET RETIREMENT 2040 SIP 2040 Policy (benchmark)

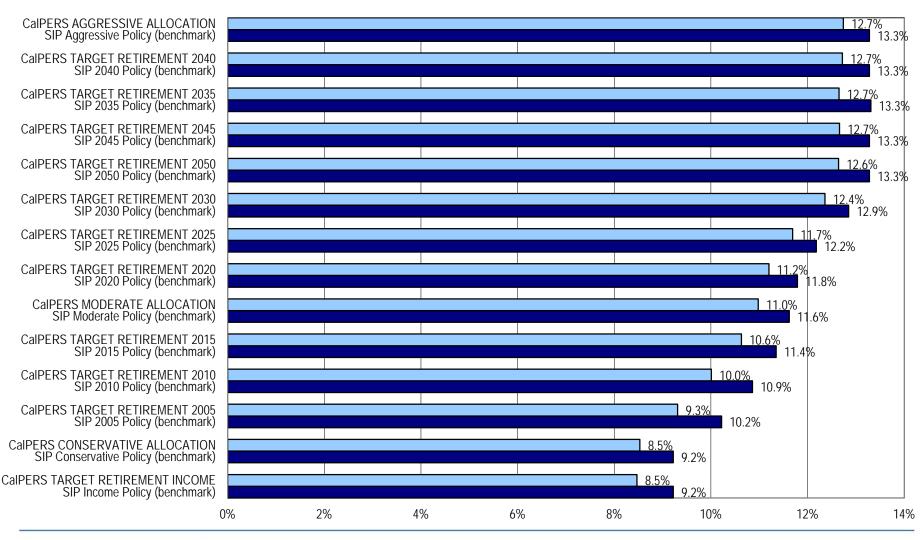
CalPERS TARGET RETIREMENT 2045 SIP 2045 Policy (benchmark)

CalPERS TARGET RETIREMENT 2050 SIP 2050 Policy (benchmark)





3-years* Investment Performance – SIP Asset Allocation Funds





SIP Strategic Review

1. Goals & Process

- To evaluate the value proposition of the 457 Plan in the long-term
- To answer key questions about the investment line-up
- Hired R.V. Kuhns & Associates
- Surveyed 19,006 members, 19 employers & 4 competitors

2. What were the findings?

- CalPERS Supplemental 457 Plan Strengths
 - Institutional investment design with custom Target Retirement Date Funds
 - Cost Transparency
 - CalPERS Brand
- CalPERS Supplemental 457 Plan Weaknesses
 - ➤ Investment menu -- too many options
 - Limited customer services & no advice services



SIP Strategic Review

3. What is the way forward?

- In July 2012, added customer service resources from the third-party administrator & moved program administration to the Customer Services & Support branch
- Revisit investment line-up Less is better
- Recommend long-term program direction

Bottom line:

To be competitive in the long-term, CalPERS needs:

- Resources
- Larger asset scale
- Organization commitment
- > Expertise
- > Focus

Significant Roadmap Objectives

Objective		Status	
•	Complete Supplemental Income Plans (SIP) Strategic Review	On Track	
•	Transition certain affiliate assets to external management	In progress: Beginning November 2012	
•	Implement new asset allocation for Long-Term Care Fund	November 2012	
•	Enhance Member Home Loan Program reporting to monitor servicing and loss mitigation	On Track	



Next Steps

Key Activities for 2013

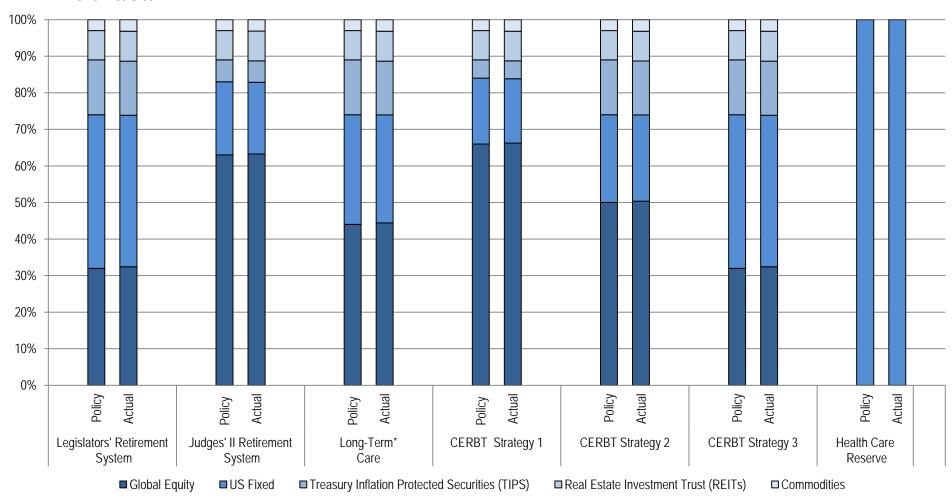
- •Return to Investment Committee with SIP Strategic Review recommendation
- Finalize and implement changes to SIP Investment lineup

Appendix

- Policy Targets & Ranges
- MHLP and Personal Loan Program

Affiliate Fund Asset Allocation Policy Target to Actual

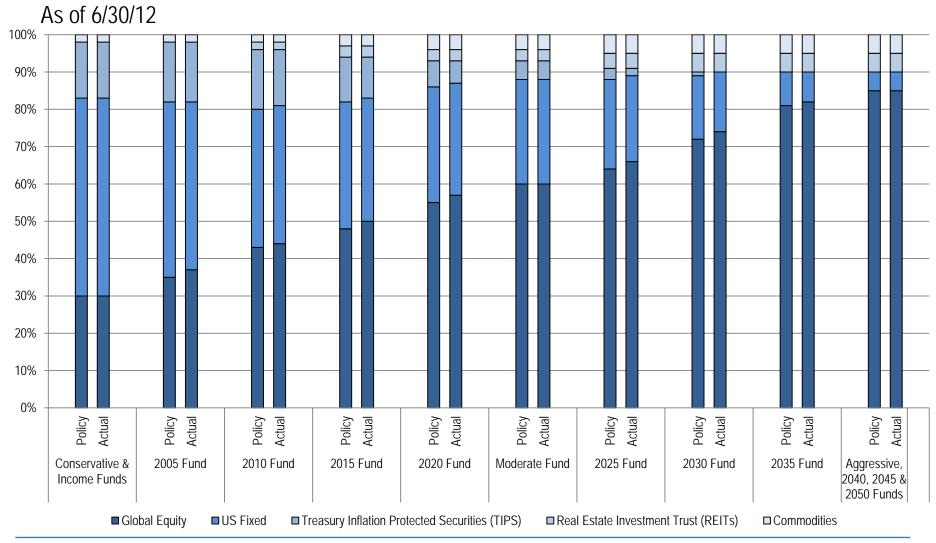
As of 6/30/12





*The Long-Term Care Fund will be transitioned to new asset allocation policy targets and ranges approved by the Investment Committee in May 2012 in November 2012.

SIP Asset Allocation Policy Target Range to Actual





833

\$254.7

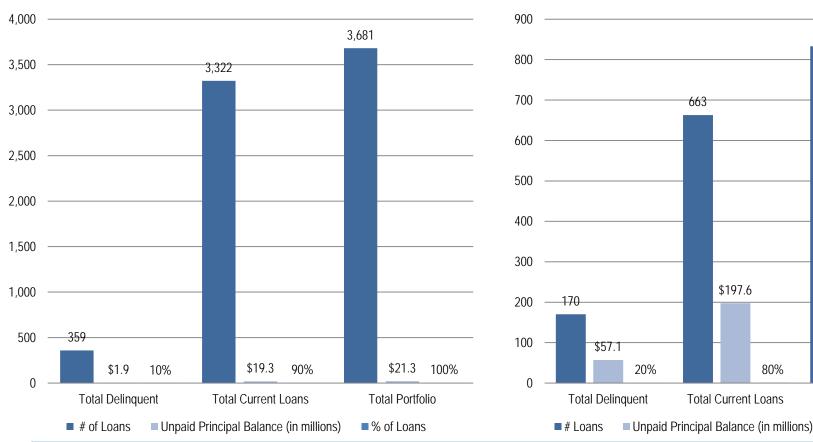
Total Portfolio

■ % of Loans

100%

Loan Program – Member Home Loan Program (MHLP) as of 6/30/12

LP) as of 6/30/12 Personal Loan Portfolio Whole Loan Portfolio





Note: The number of personal loan delinquencies does not include those loans that have been defaulted due to no payment and are awaiting a final resolution through full payoff or a reduction to the Member's benefit payments.

MHLP Whole Loan Loss Mitigation

