

Affiliate Investment Programs Annual Review

Geraldine Jimenez

Bryan Karcher

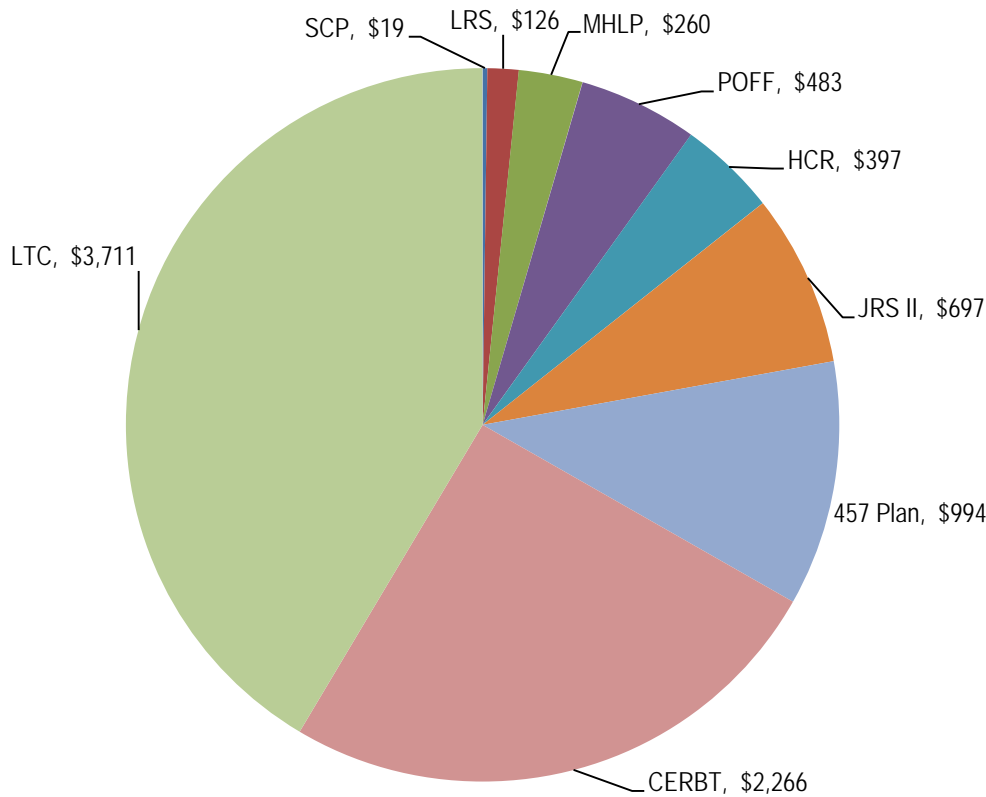
November 13, 2012

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 9/30/12)

Total \$8,953 (in millions)



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

Investment Management Responsibilities*

Single Investment Fund	# of Funds	# of underlying portfolios	Portfolio Management	AIP Responsibility
SIP core	7	N/A	External	Monitoring
SIP core	5	N/A	Internal	Monitoring
HCR	1	N/A	Internal	Monitoring
MHLP	1	N/A	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, as approved by the IC in May 2012, in December 2012

SIP

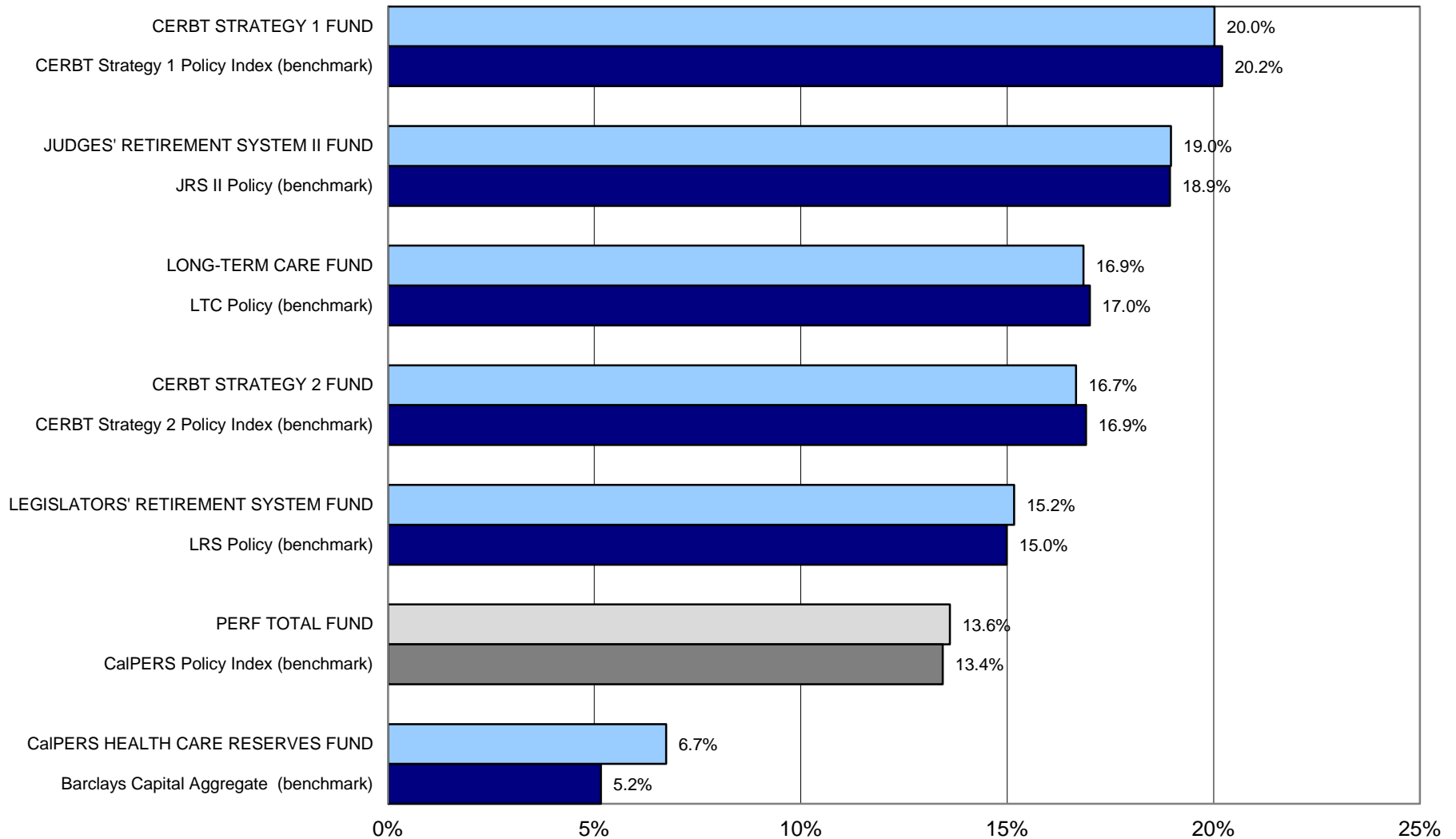
- All funds are within policy range, compared to Policy targets and actual

Investment Performance – Affiliate Funds

1 & 3-years ending 9/30/12*

- For the 1-year period, three out of six funds outperformed their benchmark
- For the 3-year period, all funds outperformed their benchmark
- Primary performance driver was CalPERS managed domestic fixed income
- All multi-asset class funds outperformed the PERF

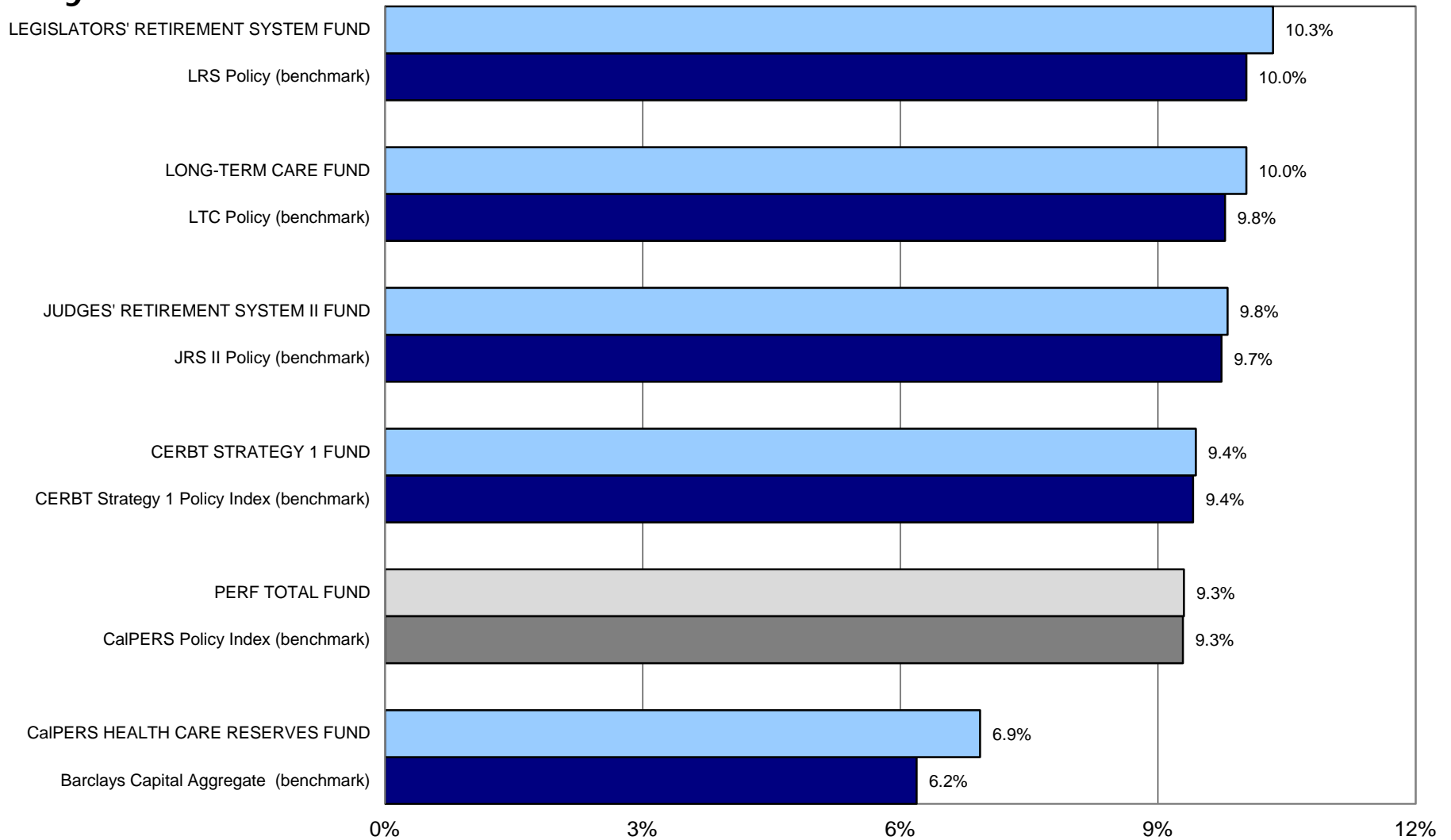
1-year* Investment Performance



Note: 1-year performance for CERBT Strategy 3 Fund will be available on 1/1/2013.

*Gross returns ending 9/30/12

3-years* Investment Performance

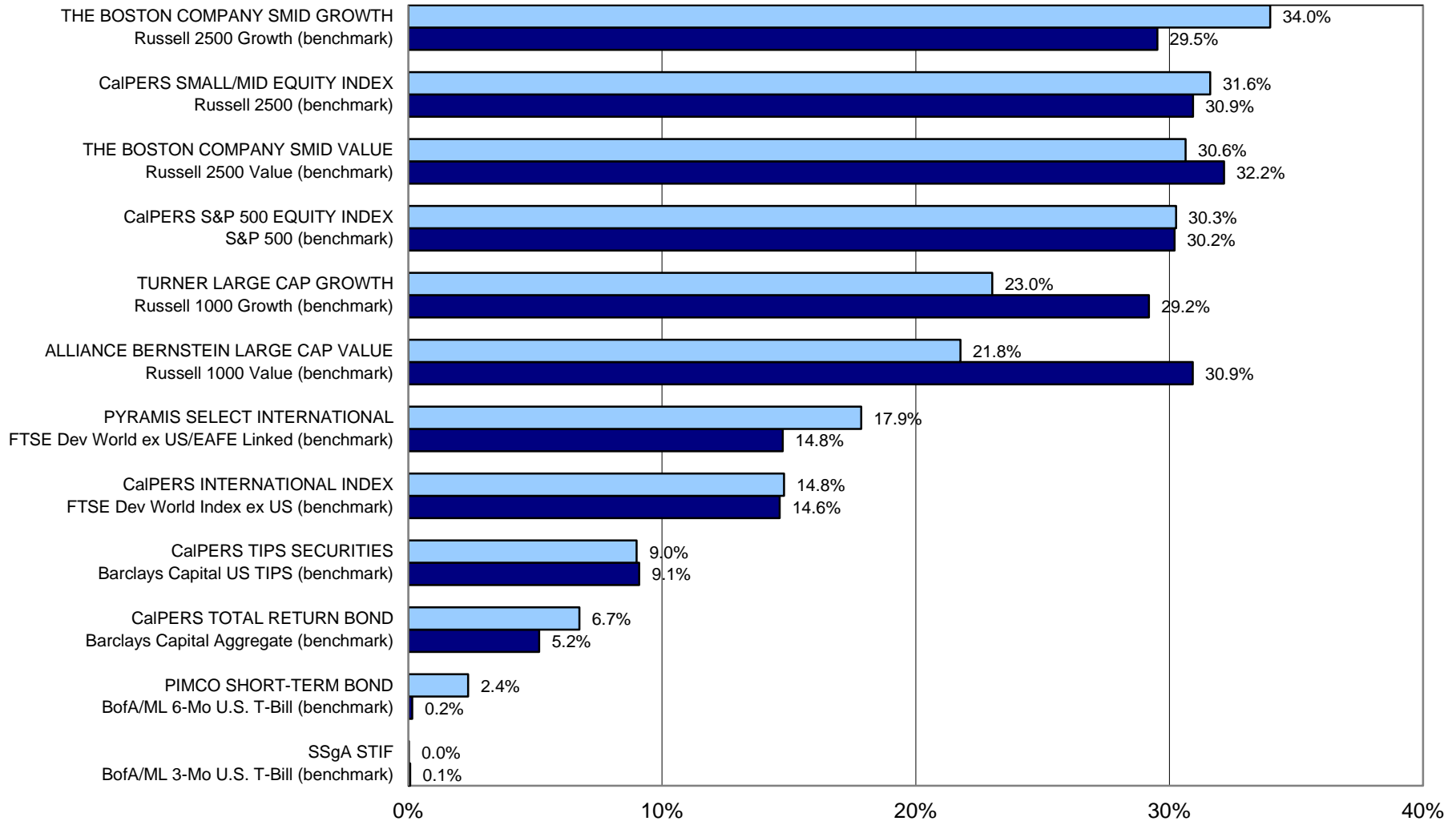


Investment Performance – SIP Funds

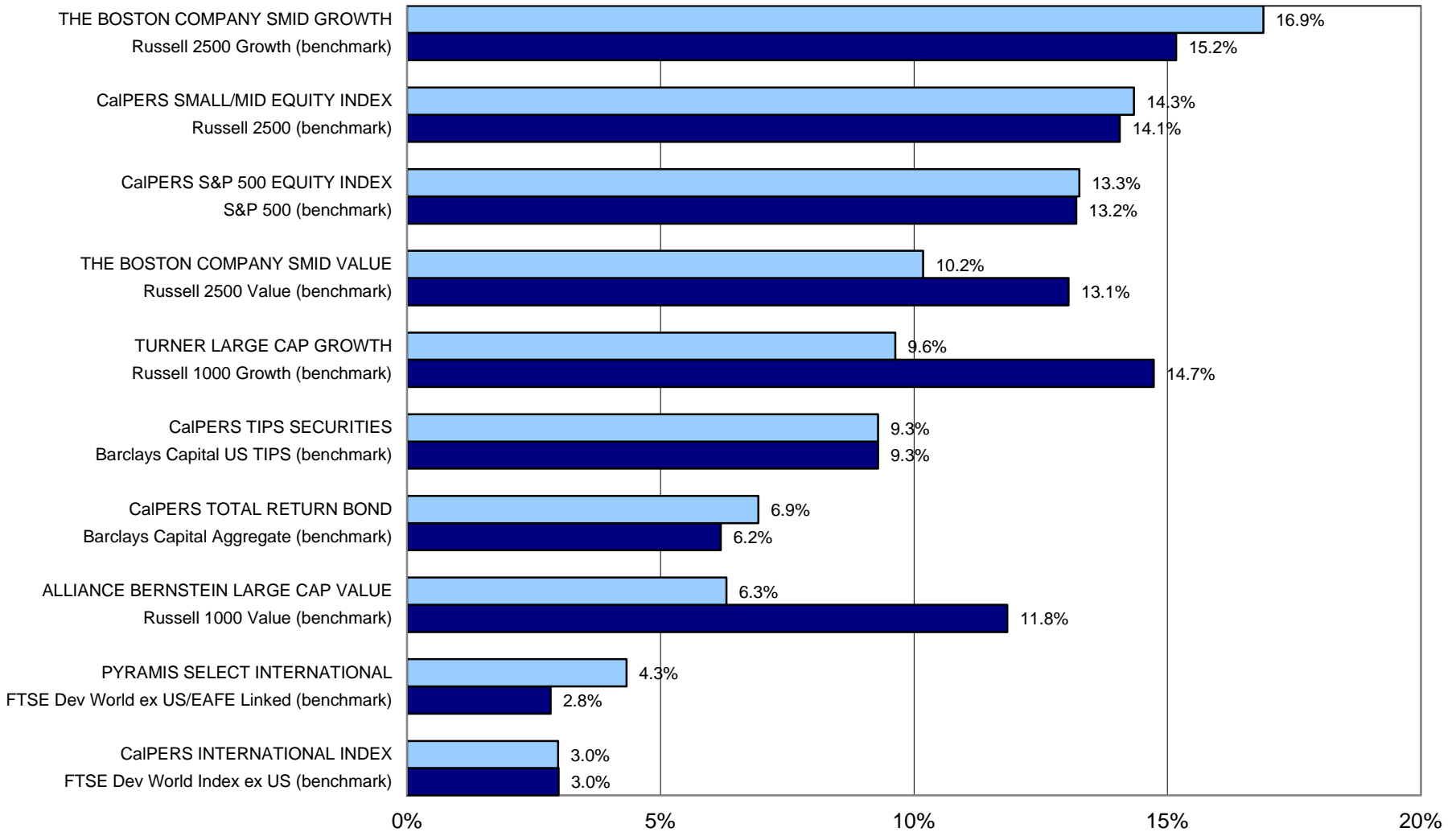
1 & 3-years ending 9/30/12*

- SIP Core Funds
 - Three out of five active equity external managers underperformed their benchmarks
 - CalPERS Total Return Bond fund outperformed its benchmark
 - The remaining funds performed at or near their benchmarks
- SIP Asset Allocation (Target Retirement Date & Risk-Based) Funds
 - Most underperformed their benchmarks primarily due to the active equity manager underperformance
 - Funds with higher weights in fixed income outperformed in the 1-year period.

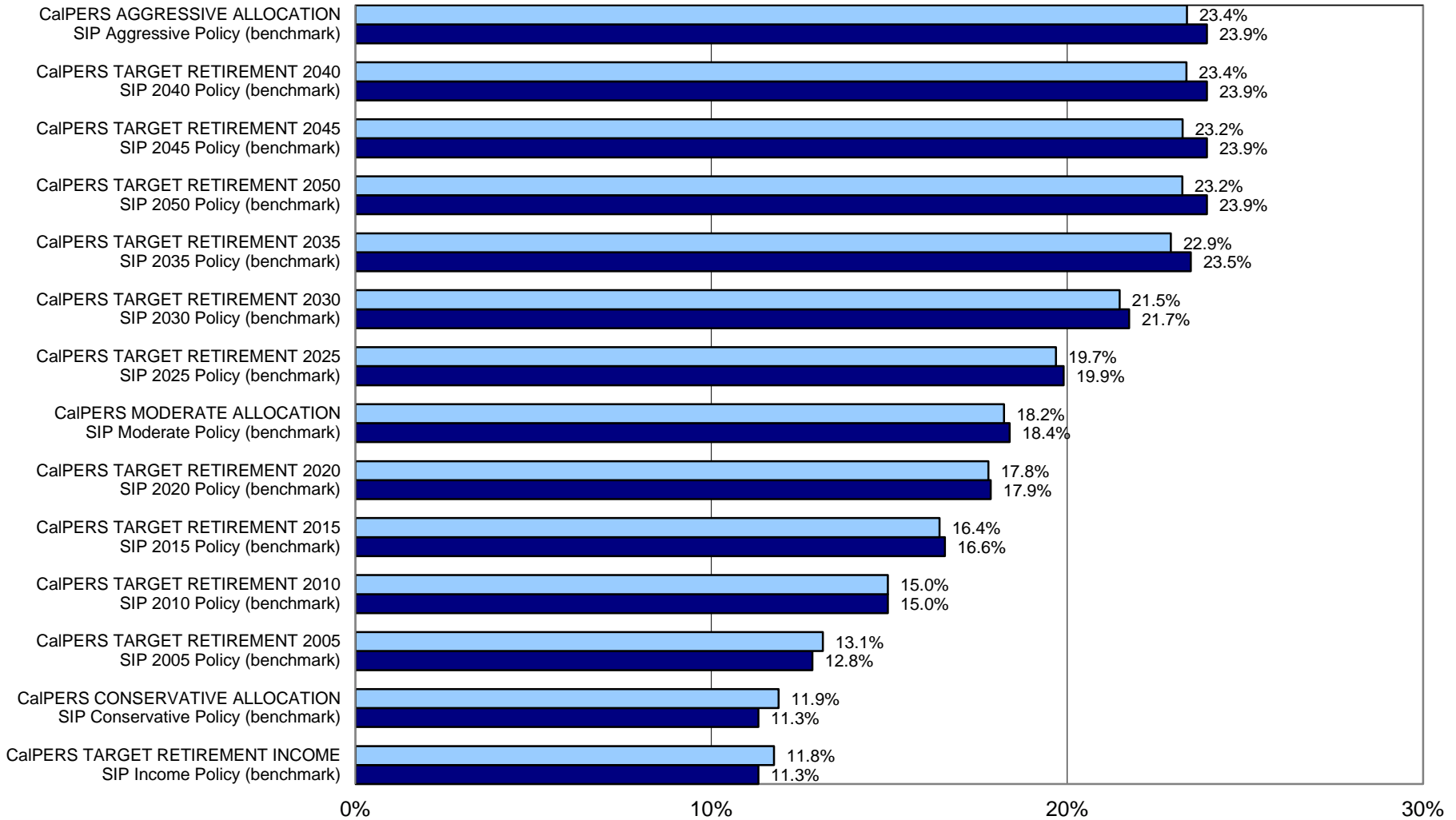
1-year* Investment Performance – SIP Core Funds



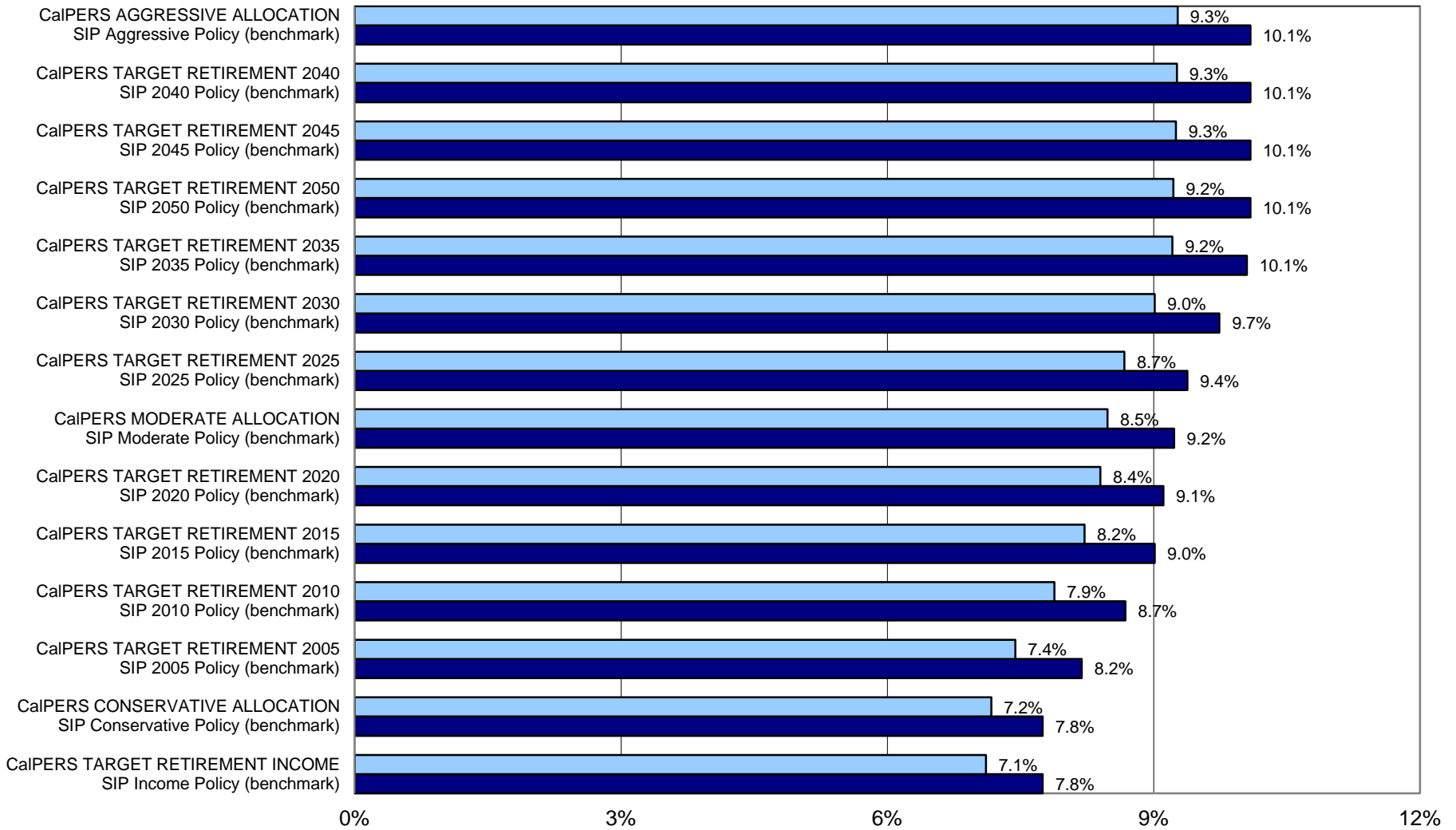
3-years* Investment Performance – SIP Core Funds



1-year* Investment Performance – SIP Asset Allocation Funds



3-years* Investment Performance – SIP Asset Allocation Funds



*Gross returns ending 9/30/12

Supplemental Income Plans

1. Program design

- On July 2, 2012, SIP Program administration was moved to the CalPERS Customer Services and Support branch
- The investment management remains in the Investment office

2. SIP Fund lineup

- Hired R.V. Kuhns & Associates to review SIP strengths and weaknesses
- From this review, staff is implementing fund lineup changes

Significant Roadmap Objectives

Objective	Status
<ul style="list-style-type: none"> Complete Supplemental Income Plans (SIP) 	On Track
<ul style="list-style-type: none"> Transition certain affiliate assets to external management 	In progress: Beginning November 2012
<ul style="list-style-type: none"> Implement new asset allocation for Long-Term Care Fund 	November 2012
<ul style="list-style-type: none"> Enhance Member Home Loan Program reporting to monitor servicing and loss mitigation 	On Track

Next Steps

Key Activities for 2013

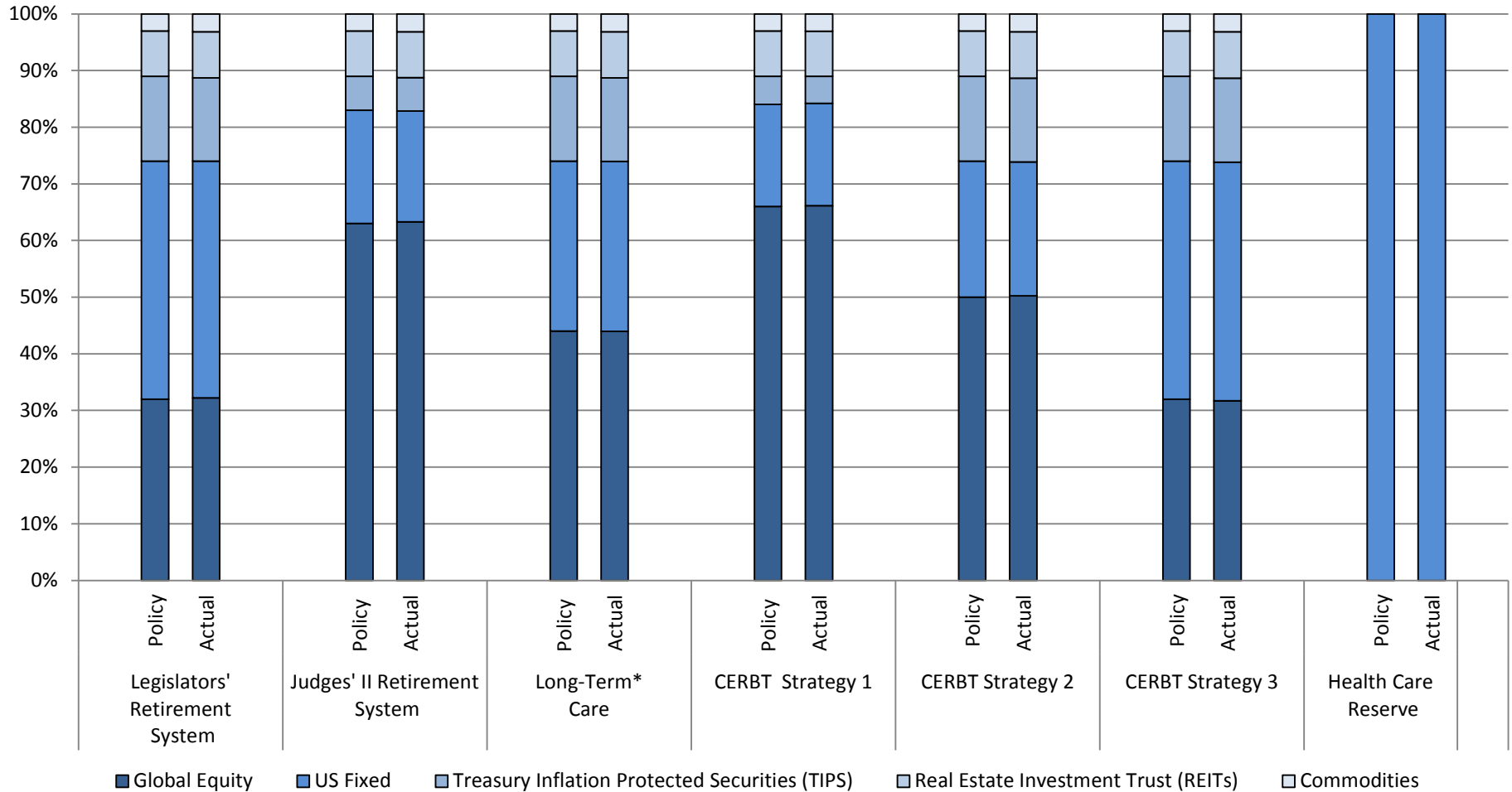
- Finalize and implement changes to SIP fund lineup

Appendix

- Policy Targets & Ranges
- MHLP and Personal Loan Program

Affiliate Fund Asset Allocation Policy Target to Actual

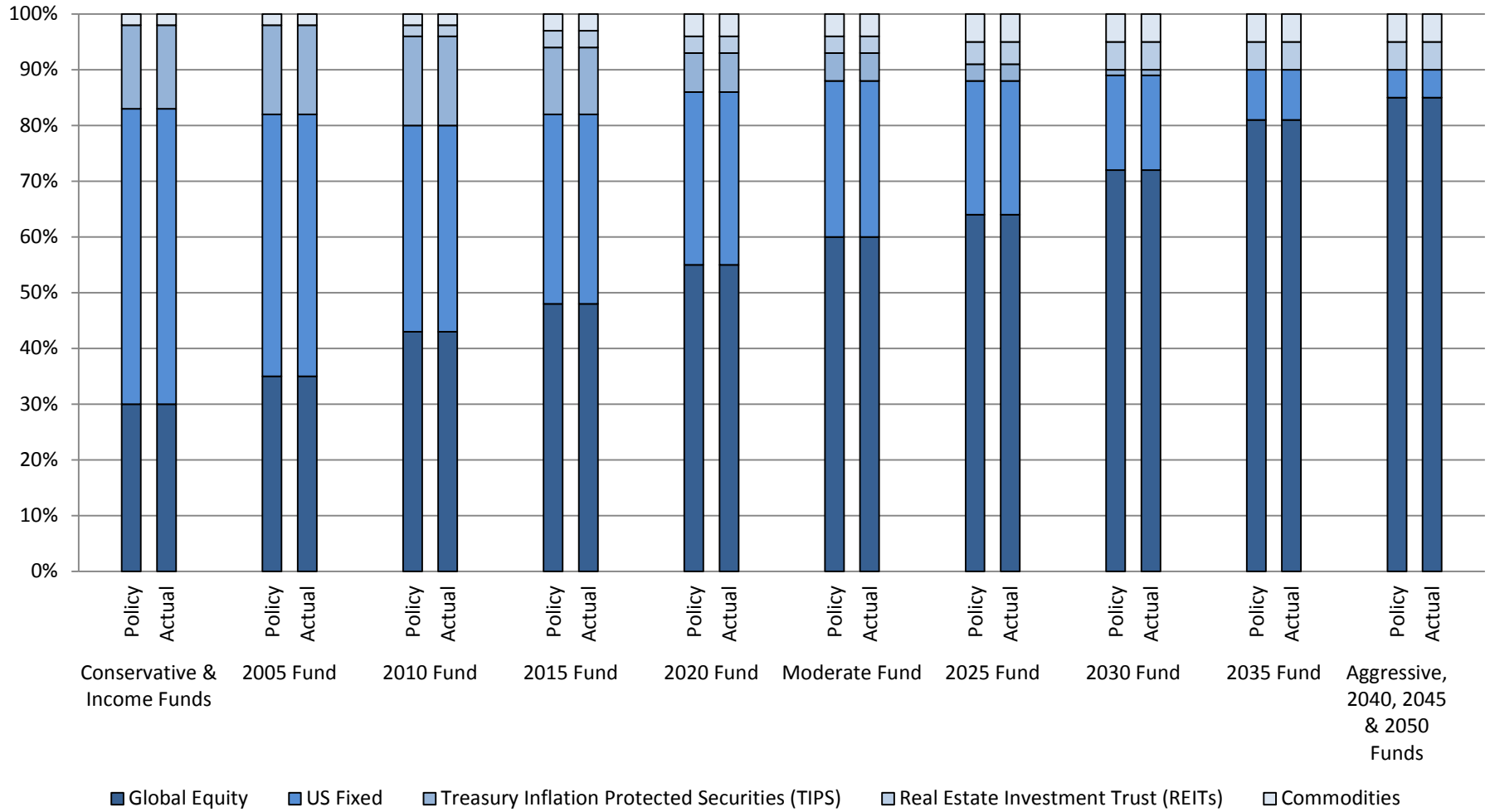
As of 9/30/12



*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 December 2012.

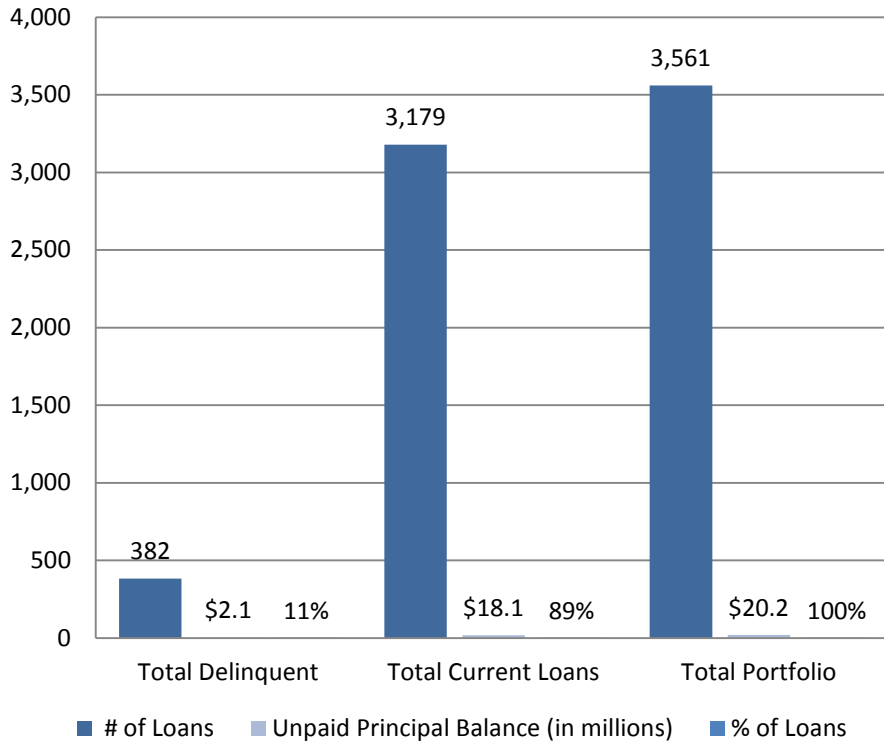
SIP Asset Allocation Policy Target Range to Actual

As of 9/30/12

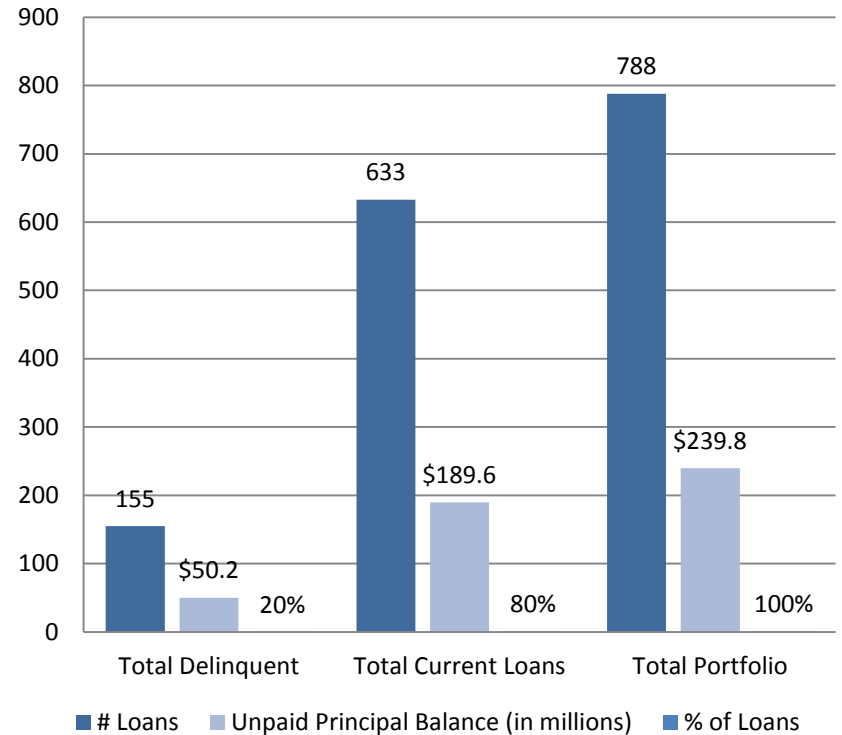


Loan Program – Member Home Loan Program (MHLP) as of 9/30/12

Personal Loan Portfolio

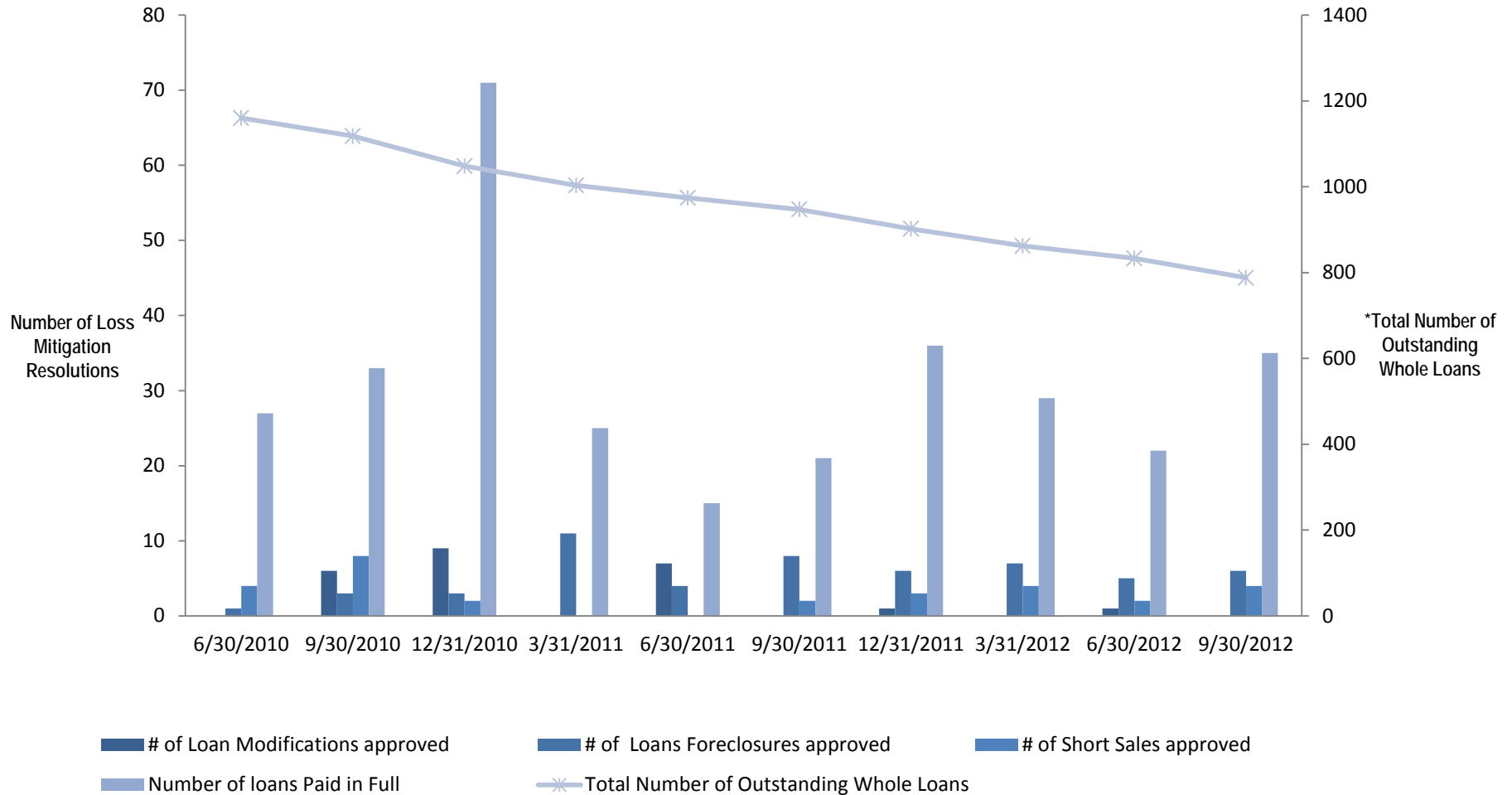


Whole Loan Portfolio



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



*References Total Number of Outstanding Whole Loans on the right axis.