



# Investment Committee

## Agenda Item 4f

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**September 19, 2022**

**Item Name:** Supplemental Income Plans: Strategic Asset Allocation Implementation Update

**Program:** Total Fund Portfolio Management

**Item Type:** Information Consent

### **Executive Summary**

The CalPERS' Supplemental Income Plans' target retirement date funds advance through an asset allocation glide path which gradually reduces the expected risk of each fund through time. Subsequent to the Committee's June 13, 2022 approval of the full glide path, staff is preparing to advance the funds to the 2023 targets on October 1, 2022. Prior to implementation, staff felt it prudent to inform the Committee of the impact of the glide path advancement.

### **Strategic Plan**

This item supports CalPERS' strategic plan goal to strengthen the long-term sustainability of the pension fund. Regularly reviewing CalPERS' funds' asset allocation and ensuring implementation is undertaken in a cost-effective manner is an integral part of CalPERS' stewardship of the funds entrusted to us by our members and beneficiaries.

### **Investment Beliefs**

This agenda item is consistent with the CalPERS Investment Belief 10, particularly the sub-belief that CalPERS will be best positioned for success if it has strong governance and operates with effective, clear processes.

### **Background**

At the June 13, 2022 meeting, the Committee approved an updated glide path for the SIP target retirement date funds. In the presentation, to show the change to the glidepath, the current 2022 fund allocations were compared to the new glidepath 2022 fund allocations had they been in place during 2022. When the glidepath is implemented on October 1, 2022, the allocations will advance to the 2023 values.

### **Analysis**

The SIP target retirement date funds are always "moving forward" into more conservative asset allocations as time elapses. The tables below show the approved glidepath allocations for 2022 and 2023 along with the amount of the shift in allocations as the glidepath advances to 2023.

**Recommended Glidepath: 2022 Policy Allocation**

Asset Classes	2065	2060	2055	2050	2045	2040	2035	2030	2025	2020	Income
Global Equity	94%	94%	94%	94%	94%	94%	82%	69%	57%	44%	32%
Real Assets	1%	1%	1%	1%	1%	1%	1%	2%	2%	3%	3%
U.S. Fixed Income	3%	3%	3%	3%	3%	3%	13%	24%	34%	45%	55%
Cash Equivalents	2%	2%	2%	2%	2%	2%	4%	5%	7%	8%	10%

**Recommended Glidepath: 2023 Policy Allocation, to be implemented on October 1, 2022**

Asset Classes	2065	2060	2055	2050	2045	2040	2035	2030	2025	2020	Income
Global Equity	94%	94%	94%	94%	94%	92%	80%	66%	55%	42%	32%
Real Assets	1%	1%	1%	1%	1%	1%	1%	2%	2%	3%	3%
U.S. Fixed Income	3%	3%	3%	3%	3%	5%	15%	26%	36%	46%	55%
Cash Equivalents	2%	2%	2%	2%	2%	2%	4%	6%	7%	9%	10%

**Glidepath Allocation Shift from 2022 to 2023**

Asset Classes	2065	2060	2055	2050	2045	2040	2035	2030	2025	2020	Income
Global Equity	-	-	-	-	-	-2%	-2%	-3%	-2%	-2%	-
Real Assets	-	-	-	-	-	-	-	-	-	-	-
U.S. Fixed Income	-	-	-	-	-	+2%	+2%	+2%	+2%	+1%	-
Cash Equivalents	-	-	-	-	-	-	-	+1%	-	+1%	-

**Budget and Fiscal Impacts**

Not Applicable.

**Benefits and Risks**

Risks and benefits associated with the asset allocation glide path were discussed in the June 13, 2022 agenda item. Staff has not identified any risks associated with providing this implementation update to the Committee.

**Attachments**

Attachment 1 – Wilshire Opinion Letter

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**Nicole Musicco**

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