



Finance and Administration Committee

Agenda Item 5a

November 19, 2024

Item Name: Investment Data and Technology Modernization Initiative

Program: Investment Office

Item Type: Action

Executive Summary

This agenda item provides a status update on the Investment Data and Technology Modernization Initiative and request for additional funding as part of the FY24/25 mid-year Investment Office budget to progress the Initiative.

Strategic Plan

This agenda item supports the CalPERS Strategic Plan Goal – Pension Sustainability – to strengthen the long-term sustainability of the pension.

Investment Beliefs

This agenda item supports four of CalPERS' Investment Beliefs:

- Investment Belief 5: CalPERS must articulate its investment goals and performance measures and ensure clear accountability for their execution.
- Investment Belief 8: Costs matter and need to be effectively managed.
- Investment Belief 9: Risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error.
- Investment Belief 10: Strong processes and teamwork and deep resources are needed to achieve CalPERS goals and objectives.

Background

During the September 2024 Finance and Administration Committee meeting, an update was provided on the Investment Data and Technology Modernization Initiative, which is one of the strategic initiatives launched in FY22/23 by the Investment Office. The last update provided a high-level description of the industry landscape, business case, approach, governance structure, and next steps.

Analysis

The purpose of this strategic initiative is to establish a modernized investment platform for improved fund performance. The objective of the modernized platform is to enable reduced operational risk, improved efficiency, and investment innovation to deliver a better portfolio.

The Initiative consists of four projects, including Capital Markets and Total Fund, Private Markets, Data Platform, and Developed Applications. The goal during the remainder of FY24/25 is to progress the overall Initiative with focus on Project 1: Capital Markets and Total Fund and Project 2: Private Markets.

Budget and Fiscal Impacts

- Requesting additional funding of \$7.5M, as part of the FY24/25 mid-year Investment Office budget increase, to progress the Initiative through the remainder of FY24/25.
- Funding for FY25/26 will be confirmed as the initial phase of Project 1 and 2 progresses and funding request will be presented to the Board in April as part of the FY25/26 Investment Office budget process.

Benefits and Risks

Benefits of Proceeding

- Additional funding request will enable the Investment Office to initiate and progress Project 1 and Project 2.
- The long-term outcome of this investment data and technology initiative will enable CalPERS to innovate, drive scale, efficiency and mitigate operational risks. This, in turn, will provide an opportunity to deliver improved returns.
- Reduces operating risks associated with implementing the SAA to achieve long-term investment return.
- More timely/informed decisions leading to better outcomes and investment innovation.
- Improves staff utilization through leveraging technology to shift focus from low value-add repetitive operational tasks to higher value-add analytical outputs.

Risk of Status Quo

- Lack of additional funding will not allow the Initiative to progress.
- Increased levels of operational and financial risk.
- Increased manual processes and sub-optimal allocation of staff to high value add activities.
- Longer lead times to investment insights and potential impact on returns.
- Limited data and technology capabilities to support investment innovation.

Attachments

Attachment 1: Investment Data and Technology Modernization Initiative Presentation

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