

CalPERS Investment Policy for the Public Employees’ Long-Term Care Fund

Effective Date

This policy is effective as of October 21, 2024, and supersedes all previous Long-Term Care (LTC) Fund policies.

Contents

Effective Date	1
Contents	1
Introduction	2
Strategic Objective	2
Responsibilities	2
Investment Approach & Parameter	2
Investment Constraints/ Limitations	3
Glossary of CalPERS Specific Terms	3
Policy Document History	3
Appendices	3
Appendix 1: Reporting to the Investment Committee	3
Appendix 2: Investment Responsibilities.....	4
Appendix 3: Investment Constraints/Limitations.....	5
Appendix 4: Policy Document History	5



Introduction

The California Public Employees' Retirement System (CalPERS) Total Fund Investment Policy, adopted by the CalPERS Investment Committee (Committee), sets forth CalPERS' investment beliefs and overarching investment purposes and objectives with respect to all its investment programs.

This document sets forth the investment policy (Policy) for the Public Employees' LTC Fund (Fund). The design of this Policy ensures that investors, managers, consultants, and other participants selected by CalPERS take prudent action while managing the Fund. Additionally, use of this Policy assures sufficient flexibility in managing investment risks and returns associated with the Fund.

The Fund was established for the purpose of administering any self-funded long-term care plan developed by the CalPERS Board of Administration (Board) and for recovering the administrative costs of the LTC Program from insurance carriers and premiums. CalPERS LTC Program offers long-term care benefits as an option to members and their families.

This Policy should be read in conjunction with and is subject to applicable conditions contained within the CalPERS [Total Fund Investment Policy](#) and LTC Policy Related-Procedures. This Policy shall also be managed to comply with all applicable Investment Office policies.

Strategic Objective

The Fund seeks to achieve the highest total rate of return reasonably possible within prudent levels of risk and liquidity for the Fund's liabilities, while maintaining significant diversification to temper losses from market volatility and ensuring adequate liquidity to meet cash needs.

Responsibilities

Details regarding various levels of responsibility for this Fund are provided in Appendix 1, Reporting to the Investment Committee, and Appendix 2, Investment Responsibilities.

Investment Approach & Parameter

A. Performance Objective and Benchmark

The benchmark for the Fund is specified in the CalPERS Total Fund Investment Policy benchmark appendix.

B. Strategic Asset Allocation Process

A comprehensive Asset Allocation Strategy analysis shall be completed periodically that follows the schedule and process as described in the CalPERS Total Fund Investment Policy, Asset Allocation Strategy Section, and Reporting to the Investment Committee appendix. As further described in the Asset Allocation Strategy Section, the schedule may be altered to accommodate pending Board actions.

C. Restrictions, Prohibitions and Authorized Securities

Restrictions, Prohibitions and Authorized Securities of the Fund are governed by the CalPERS Total Fund Investment Policy for internal funds and defined in each Manager’s contract with CalPERS for external funds.

All transactions involving derivatives are governed by the CalPERS Total Fund Investment Policy, Global Derivatives and Counterparty Risk Section.

Investment Constraints/ Limitations

See Appendix 3 for Fund investment constraints/limitations.

Glossary of CalPERS Specific Terms

Bold italicized terms appearing in the Policy are CalPERS specific in nature and are defined in the [CalPERS Specific Glossary of Terms](#).

Policy Document History

See Appendix 4 for historical details of Investment Committee adoption and revisions of this Policy.

Appendices

Appendix 1: Reporting to the Investment Committee

The following tables provide details regarding reporting to the Investment Committee:

1. Investment Office Staff
2. ***General Pension Consultant***

Table 1: Investment Office Staff Reporting Responsibilities

Ref #	Report Content	Frequency
1.	Staff shall provide a review that will include, but is not limited to, asset class allocations compared to Policy targets and ranges (as applicable), current market value, performance, and risk metrics.	No less than annually
2.	Staff shall report concerns, problems, material changes, and all violations of the Policy. These reports shall include explanations of any violations and appropriate recommendations for corrective action	At the next Committee meeting, or sooner if deemed necessary

Table 2: General Pension Consultant Reporting Responsibilities

Ref #	Report Content	Frequency
1.	The Consultant shall monitor, evaluate, and report on the performance of the Fund relative to the benchmarks and this Policy and other applicable CalPERS Policies.	No less than annually

Appendix 2: Investment Responsibilities

The following sections provide details regarding investment related responsibilities for the:

- Investment Committee
- Investment Office Staff
- **General Pension Consultant**
- **External Manager**

Investment Committee Responsibilities

1. Approve asset classes for investment and set a policy target allocation, permissible range, and benchmark for each asset class.

Investment Office Staff Responsibilities

1. All aspects of portfolio management, including monitoring, trading analyzing, evaluating performance relative to the appropriate benchmark, and selecting and contracting with managers.
2. Provide individualized asset allocation strategy recommendations to the Committee, including selection of asset class benchmarks, Policy targets and ranges.
3. Manage the asset class allocations of the Fund within Policy ranges approved by the Committee, in accordance with Policy guidelines.
4. Monitor internal and external managers in the implementation of, and compliance with, the Policy.
5. Develop and maintain investment procedures, program guidelines, and sub-program guidelines.

General Pension Consultant Responsibilities

1. Provide independent perspective and counsel to the Committee, to include routine communication with the Investment Office Staff and periodic reviews of processes and procedures.

External Manager Responsibilities

1. Manage the Fund in accordance with each manager’s contract with CalPERS and the Policy.

2. Communicate and cooperate with Investment Office Staff and authorized third parties regarding the management of the Fund.

Appendix 3: Investment Constraints/Limitations

Asset Allocation Targets & Ranges

Table 3 provides details regarding the asset allocation targets and ranges for the LTC Fund. Upon adoption of significant policy changes, Staff will implement the changes within a reasonable time period.

Table 3: Asset Class Allocation Targets & Ranges – LTC Fund, Effective 10/21/2024

Asset Class	Policy Target	Policy Range Relative to Target
Global Equity	28%	+/- 7%
Global Fixed Income	69%	+/- 7%
Real Estate Investment Trusts (REITs)	3%	+/- 3%
Liquidity*	0%	+ 2%
Total	100%	

*The Liquidity asset class is constrained to frictional/operational cash flows

Target Tracking Error

The Fund shall be managed with an active risk target consistent with forecast tracking error up to 1% relative to the Policy benchmark. The tracking error will be monitored regularly, and in the event of a breach, staff will inform the Board of the cause and develop a plan to move the tracking error within the target range, if deemed advisable, taking into account strategy horizon, transaction costs, and liquidity conditions.

Appendix 4: Policy Document History

Table 4: LTC Fund Policy History

Date	Detail
2011-06-15	Approved by the Policy Subcommittee
2011-08-15	Adopted by the Investment Committee
2013-12-03	Administrative changes to update template format and to align this policy with the Global Derivatives and Counterparty Risk Policy
2014-05-15	Administrative changes to standardize reporting frequencies to the Investment Committee to “no less than annually”
2014-05-15	Administrative changes to reflect the Policy Glossary of Terms Update Project

Date	Detail
2014-10-13	Approved by the Investment Committee
2016-03-14	Approved by the Investment Committee. Previous versions of the California Employers' Retiree Benefit Trust Fund Policy were reformatted to align with investment policy updates incorporated during the Investment Policy Revision Project
2018-10-01	Administrative changes to the strategic asset allocation targets and ranges as approved by the Committee on May 14, 2018 (agenda item 5a).
2019-01-04	Administrative changes made to migrate policy into an accessible template. Additional changes made on April 5, 2019 to resolve template conversion issue.
2023-08-11	Administrative changes made to capture Board approved strategic asset allocation.
2024-10-21	Administrative changes made to capture Board approved strategic asset allocation changes.

The LTC Fund Policy was previously Attachment D of the Affiliate Fund Policy. Table 5 below reflects the revision history of the Affiliate Fund Policy:

Table 5: Affiliate Fund Policy History

Date	Detail
2008-08-18	Approved by the Policy Subcommittee
2008-09-15	Adopted by the Investment Committee
2008-12-15	Revised by the Investment Committee
2009-06-16	Administrative changes made due to Policy Review Project
2009-09-28	Administrative changes due to adoption of Benchmark Policy