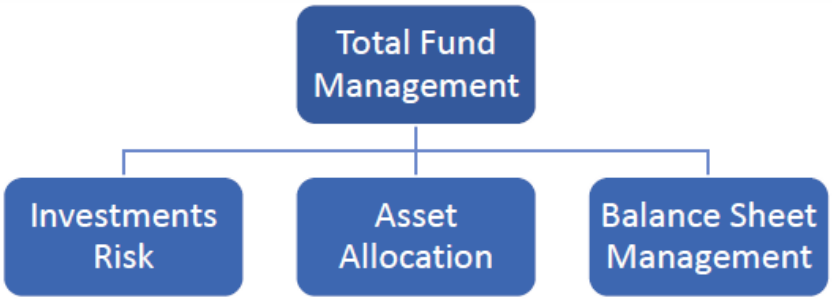
CALSTRS
INVESTMENTS

INVESTMENT COMMITTEE
SEMI-ANNUAL ACTIVITY REPORT

Total Fund Management

As of June 30, 2026



Program Description

The Total Fund Management Division (TFM) aims to provide optimal long-term risk-adjusted returns for the total fund. TFM comprises three verticals: Investments Risk, Asset Allocation, and Balance Sheet Management. Key functions of TFM include supporting the senior management team (SMT) by analyzing total fund risk, liquidity management, conducting the Asset-Liability Management Study (ALM), and chairing the Risk Allocation Committee (RAC).

- ## Investments Risk
  The risk team helps senior leadership to monitor and manage total fund investment risk by providing risk analyses and reporting to inform portfolio decision-making. The team also works collaboratively with internal teams to manage other risks like leverage, liquidity, and counterparty risk.

- ## Asset Allocation
  The Asset Allocation team leads the Asset-Liability Management Study (ALM) every four years, working with the Investment Committee General Consultant and internal Actuarial Resources to develop the long-term strategic asset allocation. The team also oversees, monitors, and manages total fund asset allocation, including development of the annual asset allocation plan and management of quarterly asset allocation updates. The team supports the Risk Allocation Committee by providing research and analysis of macroeconomic, geopolitical, market, and other factors relevant to total fund risk and allocation decisions.

- ## Balance Sheet Management
  The Balance Sheet Management team provides oversight to support prudent portfolio construction, liquidity, and long-term value creation. It encompasses the coordinated use of financing tools, internal liquidity programs, and related activities that enhance the resilience and efficiency of the Total Fund. It ensures that the Total Fund maintains sufficient liquidity, appropriate leverage levels, and the operational flexibility needed to implement its long-term investment strategy.

Program Developments

Originally established in 2009 as Innovation & Risk and renamed Investment Strategy & Risk (ISR) in 2019, this division was restructured and renamed Total Fund Management in July 2024. While all three verticals of TFM have history at CalSTRS, the team is actively building upon that foundation to support the vision for TFM.

- ## Investments Risk

  The Investments Risk team continues to make improvements to risk data quality and reporting. The team works collaboratively across the Investments branch, including initiatives with the Performance team, the Investment Data Solutions team, and implementation of the one fund approach.

- ## Asset Allocation

  The Asset Allocation team collaborated with the Liquidity and Pacing Committees to complete the Annual Asset Allocation Plan, providing the strategic framework for total fund positioning. Consistent with the One Fund approach, the team is advancing the transition toward a more dynamic asset allocation process that incorporates relative value and other important signals relevant to asset allocation. This process is intended to inform total fund positioning, rebalancing, and the identification of opportunities across asset classes while maintaining alignment with the fund's long-term objectives and risk capacity. The team is also developing an overlay program to help manage the fund's risk and capitalize on new opportunities, including a currency hedging program. Technology-driven internal dashboards and analytical tools, including the use of AI, continue to be developed and deployed to improve the quality and speed of decision-making, transparency, and insight across the organization..

- ## Balance Sheet Management

  The Balance Sheet Management team implemented and actively manages the 2026 Liquidity Plan, including executing collaborative balance sheet trades that support both liquidity and value creation for the Total Fund. The team continues to expand existing balance sheet strategies while developing and implementing new strategies as part of the Liquidity Plan, broadening the Fund's liquidity toolkit and helping to reduce funding costs. A significant milestone was the team's assumption of direct execution responsibilities for select balance sheet strategies, strengthening the team's ability to manage liquidity and leverage.