CALSTRS

Investment Committee

Item number 10 – Open session

Subject: Investment Policy Statement: Strategic Asset Allocation Targets – Step 4

Presenter(s): Chairperson

Item type: Consent Action

Date and time: November 4, 2026 – 5 minutes

Attachment(s): Attachment 1 – Investment Policy Statement – Redline Version
Attachment 2 – Investment Policy Statement – Clean Version

PowerPoint presentation(s): None

Item purpose

The Investment Committee conducts an Asset Liability Management (ALM) study every four years. The 2023 study was completed at the May 2023 meeting when the Investment Committee selected new long-term Strategic Asset Allocation (SAA) Targets. In July 2023 the Investment Committee approved the new SAA targets in the Investment Policy Statement (IPS), including the first step in the implementation plan. The Committee adopted the second step of the implementation plan effective July 1, 2024, and the third step effective July 1, 2025. This item requests approval of a policy update for the fourth and final step of the implementation plan, effective January 1, 2027.

Recommendation

Staff recommends that the Investment Committee approve the fourth and final step in the SAA implementation plan effective as of January 1, 2027, as shown in Table 1 below. The fourth step will:

- Decrease the Public Equity target weight by 1%.
- Increase the Fixed Income target weight by 1%.

This recommendation supports the implementation of the long-term asset allocation by shifting the interim allocation toward the long-term targets. Please see Attachment 1, the redline version of the IPS, and Attachment 2, the clean version of the IPS.

Executive summary

Asset Allocation and Implementation Plan

The Investment Committee approved long-term strategic asset allocation targets at the May 2023 meeting and updated the Policy at the July 2023 meeting with an implementation plan to reach the new long-term targets over a series of steps. CalSTRS has learned from experience that setting a rigid timeline is inefficient as investment opportunities ebb and flow and may not follow a cyclical time frame. Therefore, the implementation plan is expressed in "steps" toward the long-term targets.

With this item, Staff is recommending the Committee modify the IPS for implementation of the fourth and final step of the implementation plan noted in Table 1. This step completes the implementation plan and aligns the interim targets with the long-term targets.

Table 1 below shows the Implementation Plan steps, including the recommended fourth step:

Table 1: The Implementation Plan

			Step 1	Step 2	Step 3	Step 4	
Strategic Class	Asset class/strategy	Current Target	Effective date 7/1/23	Effective date 7/1/24	Effective date 7/1/25	Recommended 1/1/27	Long-term target
Economic growth	Public Equity	40%	41%	40%	39%	38%	38%
	Private Equity	14%	14%	14%	14%	14%	14%
Real assets	Real Estate	15%	15%	15%	15%	15%	15%
	Inflation Sensitive	6%	6%	6%	7%	7%	7%
Diversifying	Collaborative Strategies	0%	0%	0%	0%	0%	0%
	Risk Mitigating Strategies	10%	10%	10%	10%	10%	10%
	Fixed Income	13%	12%	13%	13%	14%	14%
	Cash/Liquidity	2%	2%	2%	2%	2%	2%
Total asset allocation		**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Strategic Plan linkage: Goal 1 of the CalSTRS Strategic Plan. Trusted stewards – Ensuring a well-governed, financially sound trust fund.

Board Policy Linkage: Investment Policy Statement – May 2025

Optional reference material: *(prior board items, supplemental educational materials, etc.)*

May 7, 2025 Investment Committee: Investment Policy Statement: Strategic Asset Allocation Targets – Step 3 – First Reading

May 1, 2024 Investment Committee: Investment Policy Statement: Strategic Asset Allocation Targets – Step 2 – First Reading

May 4, 2023 Investment Committee: 2023 ALM Study Discussion