CALSTRS

Asset-liability management study and one fund approach

November 2026

Role of the ALM

$0.62 investment earnings

$0.16 employer contributions

$0.13 member contributions

$0.9 state contributions

The ALM process

Long-term risk and return assumptions

- Key driver of portfolio outcomes

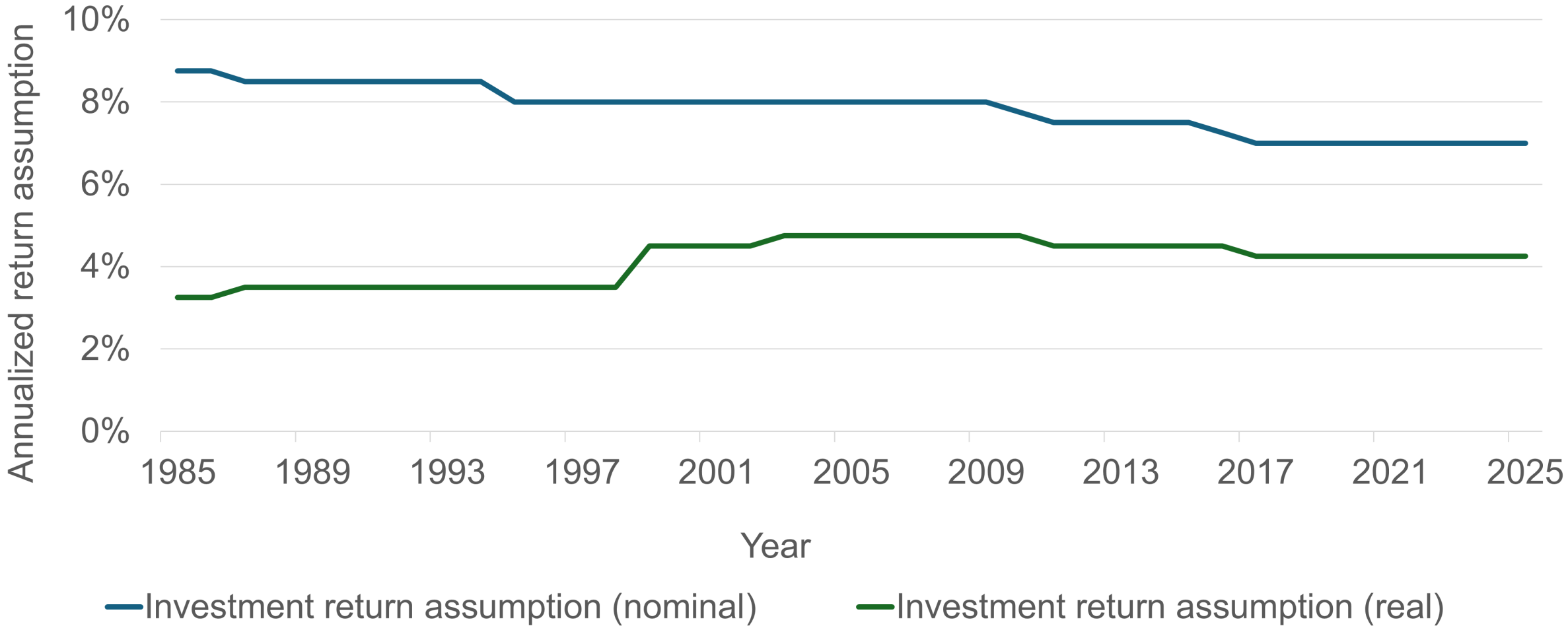
Investment Committee long-term portfolio risk tolerance

- Tradeoffs of risk and return for the funding plan

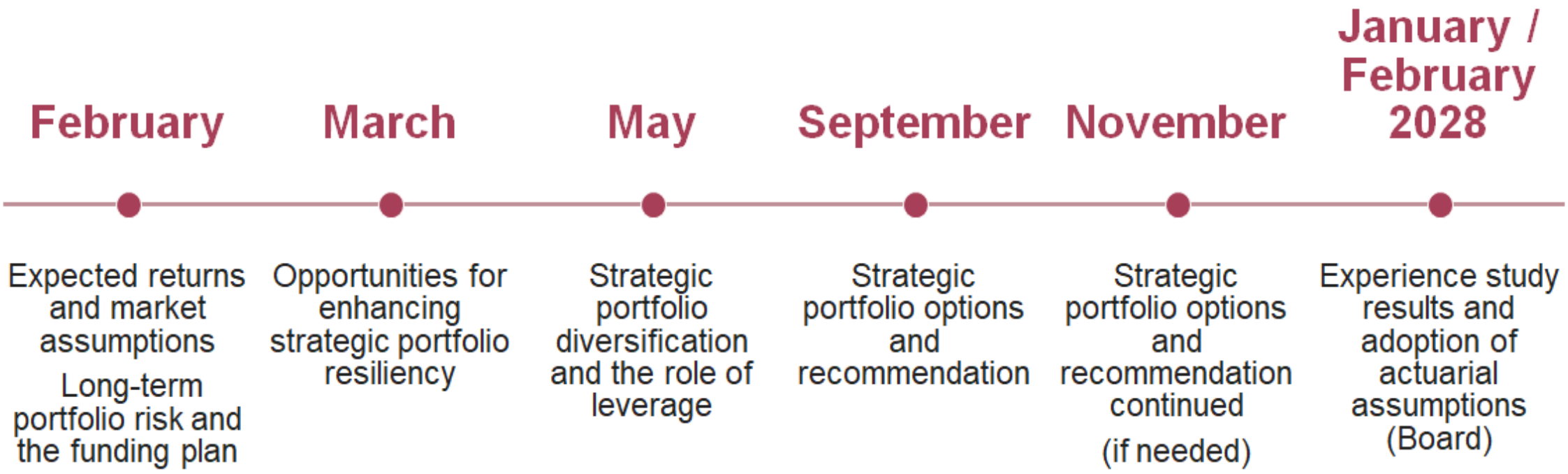
Adoption of investment return

- Key input for actuarial assumptions

Historical investment return assumption



2027 ALM timeline



One fund approach

Global challenges and opportunities

Artificial intelligence

Opportunity and uncertainty

Fixed-asset boom

Infrastructure, energy, industrial capacity, defense

Transition to a multipolar world

Growth, capital investment, fiscal intervention, geopolitical risk

Sovereign debt regime shift

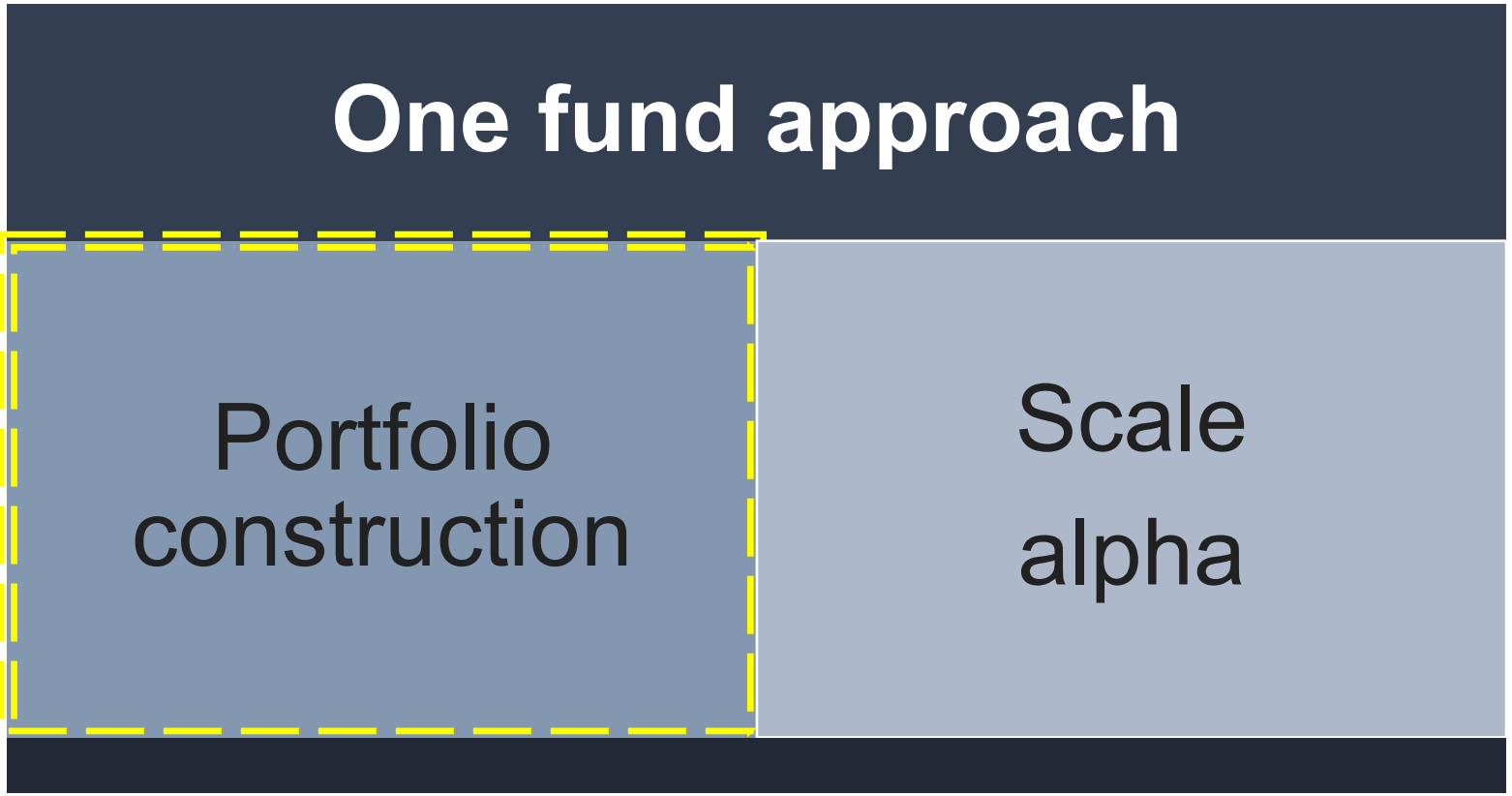
Higher and more volatile rates, competition for capital, higher equity correlation

Inflation, deflation, dispersion and volatility

Opportunity and uncertainty

Wider range of outcomes

The one fund approach



One fund approach: Enhancing resiliency

	Strategic asset allocation	One fund approach	Benefit of one fund approach
Approach to diversification	Traditional asset classes	Not bound solely by asset classes	Greater resiliency
Asset allocation and portfolio construction	Static every four years and bound by traditional asset classes	Dynamic to opportunities and risks	Greater focus on risk / reward and alignment with total fund outcomes
Risk management	Anchored to SAA and benchmarks	Managed to Investment Committee risk tolerance and across divisions	More adaptable and responsive to emerging, evolving & non-traditional risks

Constructing a resilient portfolio

Common sources of risk

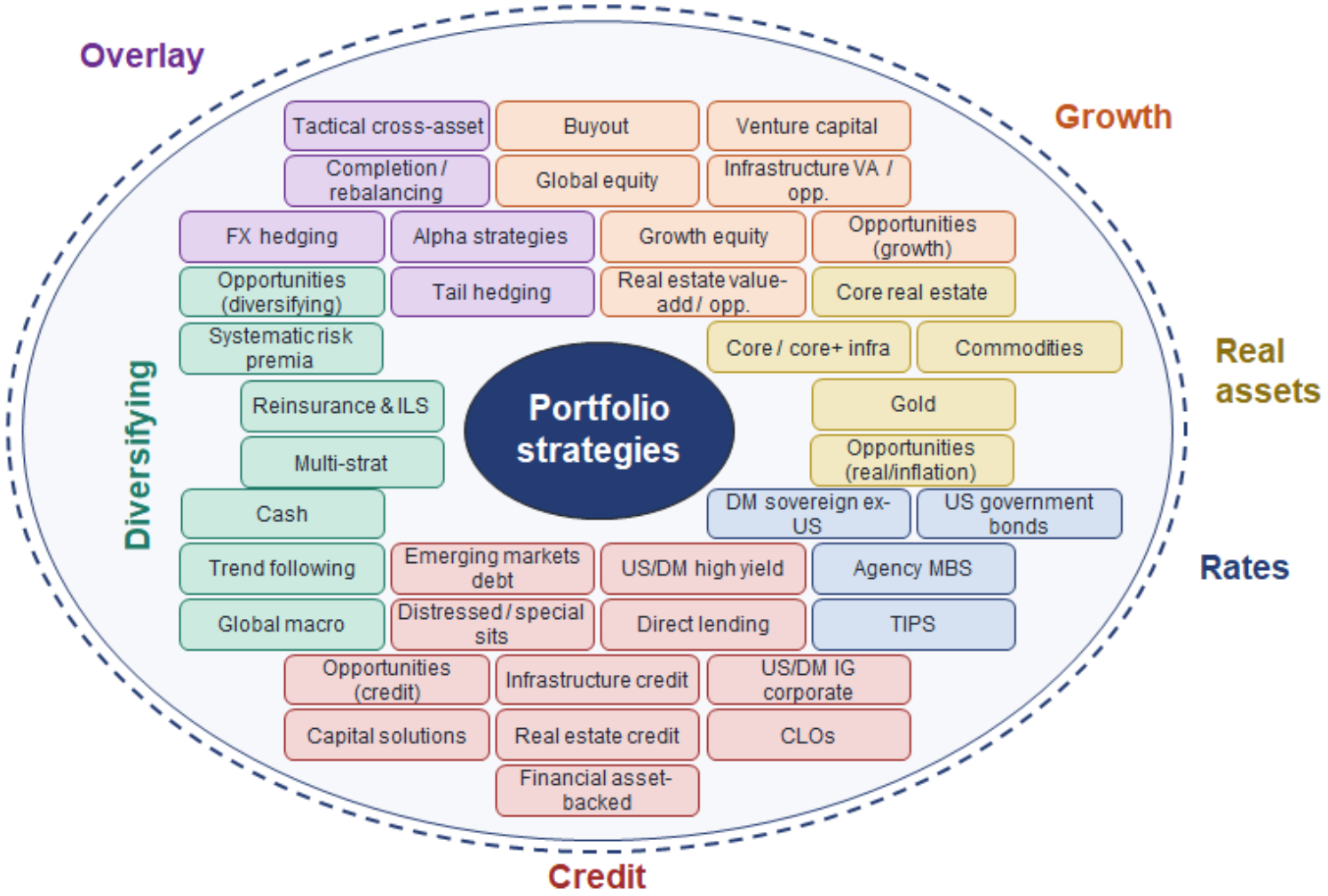
Economic growth
Capex boom *vs.* fragmentation

Modern mercantilism
Reshoring *vs.* lost efficiency

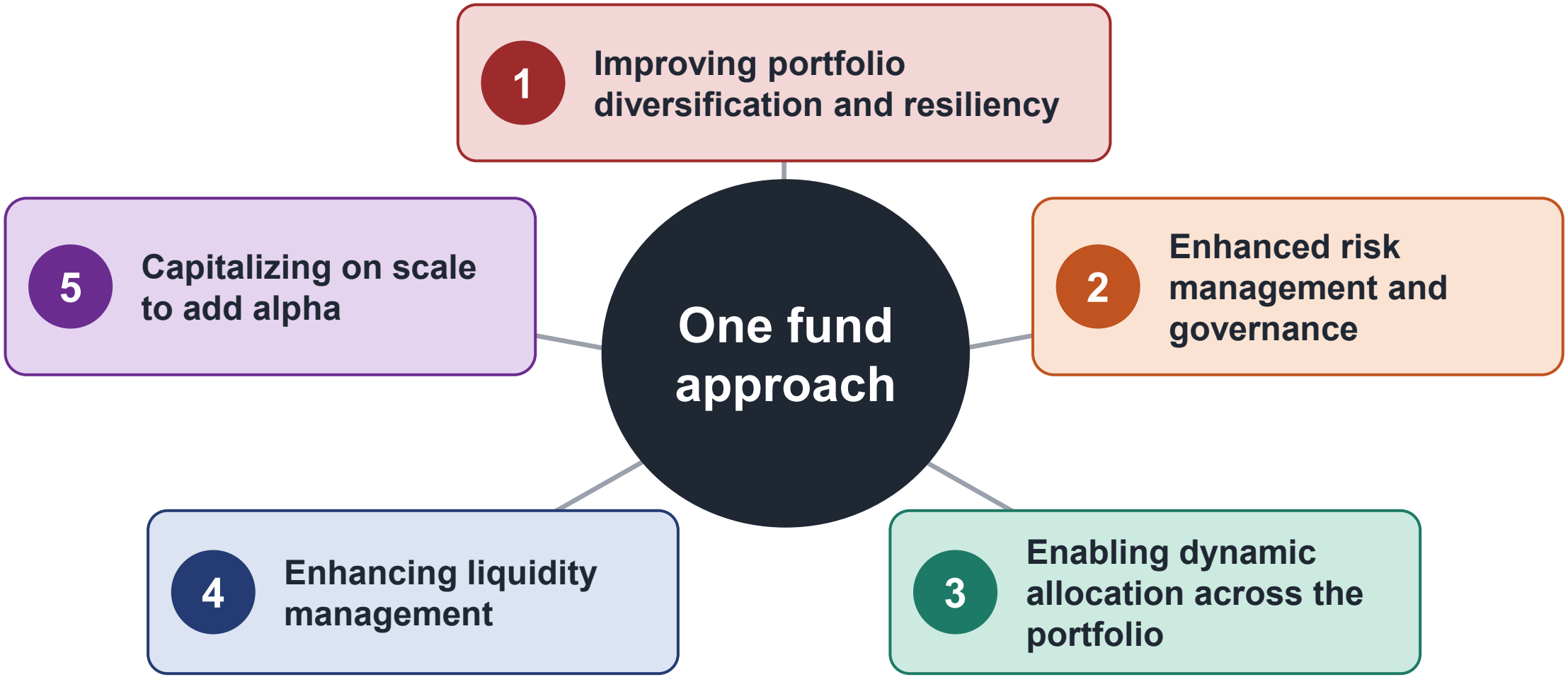
AI buildout and disruption
Productivity *vs.* disruption

Inflation
Fiscal deficits *vs.* AI deflation

Interest rates
Capital demand *vs.* slowdown



One fund approach goals



What needs to evolve for the one fund approach?

- Governance, delegation and policy: Enhancing accountability and oversight
- Benchmarks: Increased total fund alignment
- Asset allocation strategy: Enhancing diversification
- Portfolio construction: Dynamic portfolio construction to improve resiliency
- Risk management: Improved risk-aware total fund investment process