



Investment Committee

Item number 8 – Open session

Subject: Total Fund Management Overview

Presenter(s): June Kim and Josh Diedesch

Item type: Information

Date and time: January 8, 2025 – 15 minutes

Attachment(s): None

PowerPoint presentation(s): PowerPoint 1 – Total Fund Management Overview

Item purpose

The purpose of this informational report is to provide the Investment Committee with an overview of the Total Fund Management Division.

Summary

The Total Fund Management Division (TFMD) was formed in July 2024 to focus on 1) asset allocation; 2) balance sheet management; and 3) portfolio risk for the CalSTRS total fund. The previously existing Investment Strategy and Risk Team was subsumed into TFMD. Additional functionality will be built out under TFMD over the next one to three years.

A key function of the asset allocation vertical under TFMD is the Asset Liability Management study that is conducted every four years to evaluate strategic asset allocation for the total fund. In addition, on a quarterly basis, the TFMD leads an asset allocation meeting with CalSTRS Investments leadership to discuss investment pacing, liquidity, and investment strategies that may cross multiple asset classes. The TFMD leads the Risk Allocation Committee (RAC), which meets twice a month and as needed, to discuss portfolio rebalancing, tactical portfolio shifts, and liquidity plan execution.

Balance sheet management includes liquidity and leverage management and monitoring. The TFMD works closely with the Liquidity Committee and Pacing Committee to develop an annual liquidity plan for the total fund. The TFMD's functions also include ensuring adequate liquidity for the total fund, optimizing the use of the balance sheet, and managing and monitoring leverage.

The third area of focus for the TFMD is portfolio risk, which includes the evaluation of market, macroeconomic, total, active, and counterparty risk for the total fund. The Risk team provides portfolio oversight support for the Senior Management Team, informs internal asset allocation decisions through the annual and quarterly meetings, and also supports public markets risk budgeting.

Staff will provide a presentation to provide an introduction to the Total Fund Management Division and a brief education on a total fund management approach.

Strategic Plan linkage: Ensure a well-governed, financially sound trust fund.

Board Policy linkage: N/A
