
SEPTEMBER 23, 2019

AGENDA ITEM 8
ACTION ITEM

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

Investment Policy Statement – Global Equity Benchmark

Summary

The California Secure Choice Retirement Savings Investment Board (Board) will consider approving amendments to the benchmarks section of the Investment Policy Statement (IPS) to reflect a minor change to the Global Equity fund option.

Background

The Global Equity investment option in the CalSavers Program is currently a blend of two funds managed by State Street Global Advisors: a large cap domestic equity fund (State Street Equity 500 Index Fund) and a mid-large cap international equity fund (State Street Global Equity ex-US Index Fund). The current benchmark for the blended Global Equity option is the MSCI ACWI Index, which captures large and mid cap representation. The funds are blended together to create a single global equity investment option since State Street's existing mutual fund offerings do not include a standalone Global Equity option.

Effective October 9, 2019, the State Street Global Equity ex-US Index Fund is being renamed the State Street Global All Cap Equity ex-US Index Fund and the Fund's benchmark will change from the MSCI ACWI ex US Index to the MSCI ACWI ex US IMI. The new benchmark is designed to measure performance across all market capitalizations. This Index represents large, mid and small cap securities and will more accurately reflect the Fund's allowable investment universe that now includes the small cap segment of the international market.

Analysis and Proposed Benchmark

Staff, together with the Program's Investment Consultant, Meketa Investment Group, reviewed a variety of solutions to create a best outcome for the Program. Staff proposes adjusting the benchmark of the Global Equity option by replacing the current MSCI ACWI Index with a blended version of the S&P500 and MSCI ACWI ex-US IMI Index.

In Summary:

Global Equity Option (Blend)	Current Benchmark(s)	Proposed Benchmark(s)	Rationale
US Underlying Fund	SP500	SP500	No Change
Non-US Underlying Fund	MSCI ACWI ex-US Index	MSCI ACWI ex-US IMI Index	To Capture Small Cap Segment of the International Market
Global Equity Fund	MSCI ACWI Index	Blended benchmark of S&P500/MSCI ACWI ex-US IMI Index	To Capture Small Cap Segment of the International Market

Updating the benchmark used for the Global Equity Option will reduce the overall tracking error (i.e., deviation from the benchmark) and allow for a better alignment with the expanded opportunity set of the State Street Global All Cap ex-US Index Fund.

Recommendation

Staff recommend the Board approve the updated IPS with the proposed edits.

Attachment

- Attachment #1 – Investment Policy Statement – No markup
- Attachment #2 – Investment Policy Statement – With markup