WILSHIRE
CONSULTING

Andrew Junkin
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Managing Director

September 19, 2007

Dr. Russell Read
Chief Investment Officer
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Revision of MDP I and II Policy and Manager Transition Policy

Dear Russell,

You requested Wilshire's opinion with respect to Staff's proposed changes to the MDP I and II Policy and Manager Transition Policy. Wilshire has evaluated the changes and recommend that the Policy Subcommittee approve the revisions.

There are two main changes to this policy. First, the policy now conforms to the current template in use in the Policy Review Project. Using this template assures that the policies are user friendly and that information is located on a consistent basis from policy to policy. Second, this policy now permits MDP Partners to source managers for any strategy that is used in the externally managed portion of CalPERS' portfolio. Originally, the policy allowed only long-only domestic and international equity and fixed income strategies. This change allows, for example, MDP Partners to select a "relaxed long-only" or 130/30 manager in the MDP program.

In both cases, the changes are appropriate and we recommend that the Policy Subcommittee approve the revisions to the policy.

Should you require anything further or have any questions, please do not hesitate to contact us.

Best regards,