

**Michael C. Schlachter, CFA**  
**Managing Director & Principal**

April 24, 2012

Mr. Henry Jones  
Chair, Investment Committee  
California Public Employees' Retirement System  
400 Q Street  
Sacramento, CA 95814

Re: Revision of Policy for Long Term Care Program

You requested our opinion regarding the policy changes proposed by Staff to the Long Term Care Program.

### **Recommendation**

**Wilshire recommends that the Investment Committee approve the policy changes as presented by Staff.**

### **Background**

At the April Investment Committee meeting, Investment Office and Actuarial Staff, Wilshire, and the external actuary presented a variety of asset allocation options for significantly reducing the investment risk in the Long Term Care Program. The policy presented by Staff changes the asset class targets to the targets selected by the Investment Committee.

In addition, the changes modify the policy ranges appropriately for the new asset allocation targets. Asset classes with significant decreases in allocation, or significant increases in allocation, have corresponding changes to the rebalancing ranges around those targets. In our opinion, these new ranges are appropriate.

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

Best regards,

A handwritten signature in black ink, appearing to read 'Michael Schlachter'.