

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: Delegation of Authority – Alternative Investment Management

Dear Mr. Jones:

The substantive change in the delegations as presented by Staff, other than a variety of housekeeping changes, is the addition of language that allows Staff to invest in Customized Investment Accounts.

In our opinion, this change should be approved by the Investment Committee, pending subsequent approval of policy changes that will govern this new type of investment vehicle.

Wilshire has advocated the advantages on many occasions of shifting the AIM portfolio from one dependent on limited partnerships to one that invests either directly on its own or in separate accounts held in its name only. These types of investments afford CalPERS significantly more control than limited partnerships over the underlying investments and often also will result in reduced fees.

We note that the limits on delegated authority for these new vehicles are the same as the existing delegation limits for limited partnerships. As a result, this new delegated authority does not increase the amount that CalPERS Staff can investment in a given portfolio or with a given manager. Instead, it simply allows CalPERS a different investment structure for its current authority that hopefully should provide for superior returns and lower costs.

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

Best regards,

