



Michael C. Schlachter, CFA
Managing Director & Principal

May 25, 2012

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

Re: Revision of Policy for Terminated Agency Pool

You requested our opinion regarding the policy changes proposed by Staff to the asset allocation for the Terminated Agency Pool.

Recommendation

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

Background

At the May Investment Committee meeting, Investment Office and Actuarial Staff and Wilshire presented the recommended asset allocation mix for the Terminated Agency Pool. Given the significantly overfunded nature of this pool, as well as the limited recourse by CalPERS for additional contributions, a very conservative asset allocation mix was selected by the Investment Committee.

The policy presented by Staff formalizes this asset allocation mix and is consistent with Staff's presentation and the Investment Committee's direction from the May meeting. Wilshire's comments regarding the first draft of this item have been fully incorporated in the final version.

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'.