

MEMORANDUM

To: Investment Committee
California Public Employees' Retirement System ("CalPERS")

Date: August 13, 2012

From: Pension Consulting Alliance, Inc. ("PCA") *mjh*

RE: Changes to CalPERS' Investment Policies

PCA has been asked to opine on administrative changes to CalPERS' Statement of Investment Policy for Private Equity (formerly known as "Alternative Investment Management") Program and CalPERS' Statement of Investment Policy for Restricting PE (formerly "AIM") Investments in Public Sector Outsourcers, both dated May 14, 2012.

The changes to the Statement of Investment Policy for Private Equity Program consist of (a) replacing references to "Alternative Investment Management" and "AIM" with "Private Equity" and "PE," respectively, (b) replacing references to "New Vehicles" with "Customized Investment Accounts," (c) removing the language in Section V(A)(1)(c) listing specific types of "New Vehicles" permitted under the policy, and (d) minor revisions throughout the policy which are necessary to effectuate and give consistent meaning to the intended purposes of changes (a), (b) and (c) listed above.

The changes to the Statement of Investment Policy for Restricting PE Investments in Public Sector Outsourcers consist exclusively of replacing references to "Alternative Investment Management" and "AIM" with "Private Equity" and "PE," respectively.

Following PCA's review of the aforementioned administrative changes to CalPERS' investment policies and discussions with Investment Office staff, PCA is of the opinion that the changes are prudent and reasonably drafted so as to effectuate their intended purposes.