

Michael C. Schlachter, CFA
Managing Director & Principal

November 21, 2012

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

Re: Terminated Agency Pool Policy

You requested our opinion regarding the presentation by Staff of the revised policy for the Terminated Agency Pool.

Recommendation

Wilshire recommends that the Investment Committee approve the Terminated Agency Pool policy as presented by Staff.

Discussion

At the November Investment Committee meeting, the Investment Committee discussed a wide variety of immunization and investment strategies for both the "immunized" and "surplus" portions of the assets of the Terminated Agency Pool. The Investment Committee directed Staff to invest the immunization portion of the portfolio in STRIPS, TIPS, and cash, leaving the allocation to each type of security at the discretion of Staff. The Investment Committee further directed Staff to invest the surplus portion of the portfolio in the PERF.

Both the presentation from Staff and the proposed policy written by Staff are consistent that the direction from the Investment Committee and we therefore recommend approval of the policy.

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 A. ...'.