

Andrew Junkin, CFA, CAIA
Managing Director & Principal

March 28, 2013

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

Re: Proposed Changes to the Inflation Assets Policy

Dear Mr. Jones:

You requested Wilshire's opinion with respect to Staff's proposed changes to the Inflation Assets (IA) Policy. These proposed changes accompany the agenda item with respect to changes in the policy benchmarks for the international components of the Global Fixed Income (GFI) program and the IA program.

The substantive changes in the Policy deal with the inclusion of the new benchmark and changes the language throughout the policy to address the change. Additionally, the proposed policy permits additional flexibility in owning nominal bonds, which are out of benchmark securities (increasing from 10% to 15%). This will allow Staff to express views with respect to debt of countries with high real rates but no inflation linked bond structures. Other country and currency limits have been modified, but are appropriate in Wilshire's view for this program.

Summary

This is a first reading, so no approval is requested from the Investment Committee at this time. However, as we note in the GFI Policy item, Wilshire believes that the proposed changes are appropriate and provide reasonable guidelines with sufficient flexibility to allow Staff to effectively implement the IA Program.

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

Best regards,

Wilshire Associates



A handwritten signature in black ink, appearing to read 'Ann J. ...'.