

Andrew Junkin, CFA, CAIA
Managing Director & Principal

September 24, 2013

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

Re: Adoption of Revised Capital Market Assumptions – Low Volatility Equity and Global Fixed Income

Dear Mr. Jones,

You requested our opinion regarding the proposed revision to the capital market assumptions for Global Fixed Income and the new capital market assumptions for low volatility equity strategies.

Wilshire has worked with Staff and PCA to analyze and evaluate the proposed capital market assumptions. We believe that the proposed assumptions are reasonable for use in the upcoming Asset Liability workshop.

The fixed income assumption reflects a higher expected return going based on changes in interest rates since the beginning of the CMA process. The low volatility equity assumption reflects reasonable risk and return characteristics, based on our research into these strategies.

We continue to recommend adjusting the assumptions if there are significant changes in the equity or fixed income markets, leading up to the Asset Liability workshop.

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 'Andrew Junkin'.